

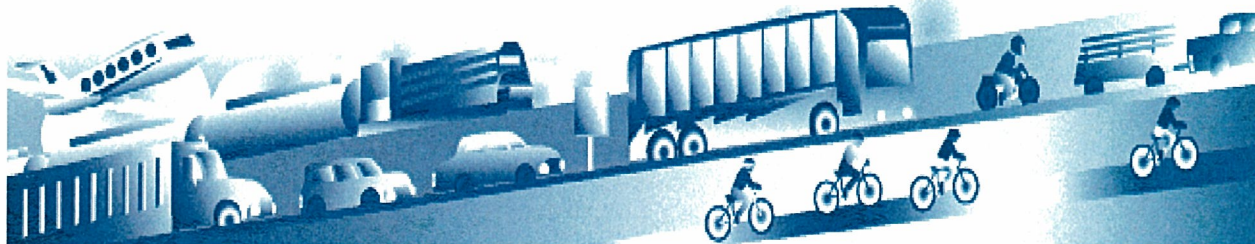
A FORUM ON TRANSPORTATION INVESTMENT

REPORT & RECOMMENDATIONS

JANUARY 2006

**LOCHNER
ENGINEERS AND PLANNERS
BOISE, IDAHO**

**TOM WARNE AND ASSOCIATES, LLC
SOUTH JORDAN, UTAH**



Forum on Transportation Investment

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Presented to the
IDAHO TRANSPORTATION BOARD

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LIST OF INITIALISMS

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AAA	American Automobile Association
AASHTO	American Association of State Highway and Transportation Officials
ACEC	American Consulting Engineering Council
ACHD	Ada County Highway District
ADEQ	Arizona Department of Environmental Quality
ADOT	Arizona Department of Transportation
AGC	Associated General Contractors
APTA	American Public Transportation Association
ASAP	As Soon As Possible
ASSN	Association
ASST	Assistant
AVE	Avenue
BPIR	Budget Policy & Intergovernmental Relations
D.C.	District of Columbia
DR	Doctor
CANAMEX	Canada to Mexico Transportation Program
CCI	Construction Cost Index
CEO	Chief Executive Officer
COC	Chamber of Commerce
CORP	Corporation
CPA	Certified Public Accountant
CPI	Consumer Price Index
DEQ	Department of Environmental Quality
DIR	Director
DIST	District
DMV	Division of Motor Vehicles
doc	Document or Word document file name
DOT	Department of Transportation
E	East

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EXEC	Executive
FAA	Federal Aviation Administration
FHWA	Federal Highway Administration
FTA	Federal Transit Administration
FTI	Forum on Transportation Investment
FY	Fiscal Year
GARVEE	Grant Anticipation Revenue Vehicle
GDP	Gross Domestic Product
GVW	Gross Vehicle Weight
HDA OR H.D.A.	Highway Distribution Account
HOT	High Occupancy Toll
HOV	High Occupancy Vehicle
HTF	Highway Trust Fund
HURF	Highway User Road Fund
HWY	Highway
ID	Idaho
INC	Incorporated
INEEL/INEL/INL	Idaho National Engineering and Environmental Laboratory
ISP	Idaho State Police
ITD	Idaho Transportation Department
ITS	Intelligent Transportation System
LHJ	Local Highway Jurisdiction
LHTAC	Local Highway Technical Advisory Council
LLC	Limited Liability Corporation
LLP	Limited Liability Partnership
L RTP	Long Range Transportation Plan
MGMT	Management
N	North
PDF	Adobe Acrobat file extension
PT	Public Transportation
RABA	Revenue Aligned Base Account

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RARF	Regional Area Road Fund
REC	Recreation
RRIF	Railroad Rehabilitation and Improvement Financing Program
RTTF	Regional Transportation Task Force
S	South
SIB	State Infrastructure Banks
SMART GROWTH	Land and Community Development
STIP	State Transportation Improvement Plan
TEA-21	Transportation Equity Act for the 21 st Century
TIFIA	Transportation Infrastructure Finance and Innovation Act
TRB	Transportation Research Board
UPRR	Union Pacific Railroad
U.S.	United States
VMT	Vehicle Miles Traveled
VP	Vice President
W	West
WASHTO	Western Association of State Highway and Transportation Officials

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Idaho faces many challenges as it advances into the first decade of the 21st Century. Our population is growing at twice the national rate. Travel is measured at historically high levels. Demand for mobility, both by our residents and those who travel through our state, is putting more and more pressure on transportation entities at all levels of government. Whether it is a question of moving people or goods, using highways or public transportation, the discussion always turns to funding and the gap that exists between what is available and the amount needed to satisfy the public's expectations for transportation.

Many studies and initiatives have addressed the subject of transportation funding with a wide spectrum of impact. However, today the sense of urgency is high. The needs are growing and at the same time the public expects elected and appointed officials to act in ways that will preserve the quality of life we enjoy today.

It is against this backdrop that the Forum on Transportation Investment (FTI) was initiated in September 2004 by the Idaho Transportation Board. The forum was made up of 57 individuals representing public agencies, transportation service providers, public transportation providers, stakeholders, elected officials and citizens with a keen interest in transportation.

In chartering the forum, the Idaho Transportation Board identified two main purposes for its work:

1. Establish an understanding of the needs and demands for transportation improvements and the available options for financing and funding Idaho's transportation system; and
2. Make recommendations to the Idaho Transportation Board on how to shape future investment in the Idaho surface transportation system.

In addition, the forum had three core focus areas to investigate:

1. Review current financing/funding options;
2. Understand the demand for improving Idaho's transportation system and summarize projected needs; and
3. Assess future innovative financing and revenue options, by benchmarking and being multi-dimensional.

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The forum was chaired by Jim Kempton, former state representative and a respected leader in the state. Mayor Tom Dale from Nampa served as Vice Chair. Eight (8) meetings were held over a 17 month period where the members of the forum considered topics relating to the state of Idaho's growth, transportation systems, current funding mechanisms (within the state as well as at the federal levels), jurisdictional matters, and funding strategies for addressing the gap identified. A short summary of the conclusions of the forum include:

- A. **Idaho will continue to grow at an historic pace.** People love to live here and many more are moving into our state to enjoy the outdoors, clean air, our natural wonders and overall quality of life. The end result of this trend is that Idaho's population will grow by 56% between 2000 and 2030 - twice the national average. Idaho is the third (as of 2006) fastest growing state in the country. Additionally, we are experiencing record numbers of vehicle registrations and vehicle miles traveled each year.
- B. **Transportation is essential to the state's economy.** Idaho's economy is growing at a record pace. Transportation is the common denominator that ties everything together. Much of the state's economy is directly dependent on transportation in some form or another.
- C. **Freight movement in Idaho is an important element of Idaho's transportation future.** Whether used to transport agricultural products, high tech components, or numerous commodities, transportation is the thread that binds our state's economy together. Freight growth across the nation will double in the next 20 years with 88% of all commerce in commodities involving truck transportation on our nation's roads and highways. As a "bridge" state, Idaho is experiencing its share of increased freight activity. Investing in freight infrastructures and networking the various modes (truck/rail/port/air) will facilitate the movement of vital commodities.
- D. **Public transportation must be addressed as part of Idaho's comprehensive transportation solution for the future.** The forum recognized that public transportation is a necessary and important component of Idaho's overall mobility agenda. With that in mind, Idaho remains one of six (6) states without a dedicated state revenue stream to support transit projects. Additionally, local revenue authority is extremely limited or even nonexistent. With growing citizen interest in public transportation, there is an increasing expectation that state and local agencies will move forward with greater application of public transportation systems in both urban and rural settings.

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- E. **Idaho's current transportation revenue structure will not meet the pressing transportation funding needs over the next 30 years.** The forum found that no single revenue stream could be counted on to adequately address both state and local needs and all modes of transportation. In fact, the forum's analysis found that multiple sources would be necessary to even come close to meeting funding requirements. Among the revenue streams offering the most promise are raising the motor fuel tax, increasing vehicle registration fees, assessing impact fees at all levels of government, eliminating or replacing the revenue impact of alternative fuels exemptions, indexing fuel taxes and transportation-related fees, and other revenue-generating methods.
- F. **Transportation must be addressed at all levels of government and all jurisdictions.** Transportation is not just a state problem. Rather it transcends all levels of government in Idaho with almost 300 jurisdictions having some role in the state's transportation network. In order to operate and maintain Idaho's almost approximately 47,000 miles (as of 12/30/05) of roads and highways, management tools and funding mechanisms must be provided to ensure a viable transportation system throughout the state.
- G. **Federal funding cannot be relied upon to solve Idaho's transportation funding challenges.** Eight years ago, Idaho received an increase of over 60% in its federal funding through TEA-21 (federal highway funding legislation). In 2005, SAFETEA-LU (current federal transportation bill) provided just over a 30% increase in federal funding. Current projections are that the next federal transportation bill (set to be passed in 2009) will not provide any substantial increase in existing levels of federal funding. The bottom line is that Idaho must rely on its own solutions to transportation funding challenges and not have unrealistic expectations for a federal solution.
- H. **Idaho's transportation system needs in the next 30 years are in excess of \$20 billion.** The forum queried all levels of transportation jurisdictions with the intent of defining future surface capital improvement needs. Needs for the various modes and jurisdictions were identified as follows for a total over \$20 billion:
- i. Interstate highways - \$4.5 billion,
 - ii. State highways - \$8.0 billion,
 - iii. Local transportation - \$6.3 billion,
 - iv. Airport access - \$221 million, and
 - v. Public transportation - \$1 billion.

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- I. **Increased transportation funding must be addressed now.** A transportation funding gap exists today and extends into the future as far as the eye can see. In 1995, the *Idaho Highway Needs Assessment Study Update* noted a backlog for all jurisdictions from 1994 through 2000 of \$8.65 billion. Available revenue for that same period measured less than half. This shortfall in funding has not been addressed and cannot be allowed to continue.

The GARVEE (Grant Anticipation Revenue Vehicle) bonding program is not additional transportation revenue; but rather GARVEE bonding allows critical projects to be constructed sooner by borrowing against future anticipated federal revenue.

- J. **Idaho's funding shortfall from FY 2005 through FY 2035 is over \$200 million a year.** When comparing available and projected revenues to the surface capital improvement needs identified in Conclusion H, the shortfall in funding is \$200 million per year for the next 30 years.
- K. **Solutions to Idaho's transportation funding challenge will require innovative and non-traditional revenue sources and means of collection.** The forum concluded that Idaho's leaders should look beyond the obvious and determine if there are non-traditional or innovative solutions that could contribute to transportation funding. An essential element will be the need for all jurisdictions to be efficient in collecting revenues from existing sources as well as exploring how each jurisdiction can use new tools to fairly assess the cost of providing services to the users for the transportation system.
- L. **Idaho must recognize the eventual transition from motor fuel (gasoline, diesel, etc.) to alternative-fuel vehicles and prepare accordingly.** The technology associated with "fueling" motor vehicle operations is developing rapidly. The advent of hybrid-fueled vehicles, as well as other new technologies, will diminish the taxes collected on fossil fuels. Idaho must prepare for the future by beginning deliberations on other transportation revenue collections methods.

From these conclusions the forum on Transportation Investment formulated recommendations for addressing Idaho's transportation challenges. The following recommendations are divided into three categories: Policy, Policy/Revenue and Revenue depending on their nature and application.

POLICY RECOMMENDATIONS

Idaho should:

- P-1 Integrate land use and transportation planning at all levels-state/regional/local.

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- P-2 Provide opportunities for user-fee based systems (toll roads/high occupancy toll (HOT) lanes, congestion pricing, etc.).
- P-3 Promote partnership opportunities (private/public, public/public, etc.) and remove legal barriers whenever possible.
- P-4 Pursue future revenue opportunities and sources by transitioning from traditional revenue generating sources (fuel tax/other) to other methodologies (BTU tax, VMT tax, etc.).
- P-5 Update the analytic *Idaho Highway Needs Assessment Study* approximately every 10 years.

POLICY/REVENUE RECOMMENDATIONS

Idaho should:

- P/R-1 Acknowledge that public transportation should be an integral part of Idaho's transportation system by dedicating revenue mechanisms to address these issues.
- P/R-2 Achieve improved freight mobility by encouraging truck/rail/port/air infrastructure investments and efficiencies.
- P/R-3 Provide local option taxing authority for transportation-related initiatives.
- P/R-4 Establish index strategies for fuel taxes, vehicle registrations, and other transportation-related taxes and/or fees.
- P/R-5 Create a rental car fee to generate revenue for transportation initiatives.
- P/R-6 Assess new growth and development impact fees for transportation facilities and distribute to transportation jurisdictions within the associated area of impact.

REVENUE RECOMMENDATIONS

Idaho should increase revenue to the Highway Distribution Account by:

- R-1 Increasing ALL fuel tax and ALL vehicle registration fees as soon as possible.
- R-2 Increasing motor vehicle-imposed fees to cover the cost of providing the services.
- R-3 Eliminating or replacing the revenue impact of alternative fuels tax exemptions (e.g., ethanol, bio-diesel, hydrogen, or electric fuels).

Forum on Transportation Investment

The recommendations above are a menu of transportation investment alternatives that the forum felt reflected a variety of revenue and policy adjustments that Idaho could make to address its transportation funding shortfall. Each should be carefully considered as to its role in providing critical funding for all modes of transportation in the state.

An important point to be made in the discussion of transportation funding projected to FY2035 is that the forum examined only the capital needs of the state and did not attempt to quantify the funding needed to operate and maintain the current and future transportation network. Historical evidence tells us that operating and maintenance costs must be factored into the budgets of the nearly 300 jurisdictions responsible for transportation across the state.

The Forum on Transportation Investment concluded its work by adopting the final report and recommendations—not as an end to its labor, but rather as a beginning of a much greater endeavor—supporting changes and delivering funding for needed transportation projects and strategies throughout Idaho. The adoption of the forum’s recommendations will ensure a future transportation system all Idahoans want and expect.

CONCLUSIONS

Forum on Transportation Investment

FORUM CONCLUSIONS

The Forum on Transportation Investment came to many significant conclusions related to transportation, its funding, and the future of our state. The role and importance of transportation cannot be overstated. The shortfall in transportation funding is real and ignoring the funding shortfall will not make it go away; nor will the mobility requirements for the state somehow diminish. Idaho's future vitality is directly tied to our transportation infrastructure. The following is a summary of the most salient points of Idaho's transportation future and the actions necessary to ensure it for generations to come.

A. Idaho will continue to grow at an historic pace.

The very characteristics of Idaho's open space, clean air, scenic wonders, and quality of life make this state a desirable place for those who live here to stay; and attracts many from outside our borders to move in. Grow we will. Address this growth we must. Specific to this conclusion are the following:

- a. Idaho's population is projected to grow by 56% from 2000 to 2030-over twice the national average.
- b. Idaho is the 3rd as of 2006 fastest growing state in the country.
- c. Boise is the 7th fastest growing urban area in the country.
- d. Growth will occur in a dispersed manner throughout the state, although the existing urban areas will continue to be more populated.
- e. Since 1978, there has been a 104% increase in vehicle miles traveled and a 93% increase in the number of vehicles registered.

B. Transportation is essential to the state's economy.

Transportation has been an important part of the state's economic engine since the first settlers arrived. While agriculture continues to hold a prominent position in the economic offering, tourism, technology, and other industries have become major players in Idaho's role in national and global economies. A viable transportation system is necessary to maximize Idaho's economic prosperity -- by minimizing shipping costs and maximizing market penetration of products both in and out of the state.

- a. Tourism remains one of Idaho's top five industries providing nearly 50,000 jobs and accounting for 5% of Idaho's gross state product. In 2004, Idaho tourists spent \$2.97 billion on lodging, food, and tourism related activities. A viable transportation system is critical for access to Idaho's many tourist experiences.
- b. Off-road vehicle registrations in Idaho have grown over 2,800% since 1985. Funding for off-road vehicle access to well-maintained trails is provided, in part, through the Highway Distribution Account formula.

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- c. Idaho agriculture exports had an estimated value of \$789.2 million in 2002. Idaho is ranked fourth nationally in vegetable (potato, onion, etc.) exports and ninth in both wheat and feed products.
- d. Idaho's technology industry is recognized nationally and internationally. Idaho is number one in the nation for patents per capita and number five (5) nationally in the creation of new companies.

C. Freight movement in Idaho is an important element of Idaho's transportation future.

Motor carriers, rail providers, barge haulers, and air freight carriers in Idaho perform an important role in moving goods -- in and around Idaho as well as through the state and across the nation. From agricultural products to high tech components, freight mobility is vital to maintaining Idaho's position in the national and the global economies. Specific to this conclusion are the following:

- a. According to the U.S. Department of Transportation and the U.S. Census Bureau's 1997 Commodity Flow Survey, nearly \$7 trillion in goods were shipped throughout the nation.
- b. Overall, up to 88% of all national commerce in commodities involves truck transport and is directly dependent on highway infrastructure.
- c. International trade's gross domestic product was at 13% in 1990 and increased to 24% in 2000, and is expected to increase to 35% by 2020. Whether that freight is moved by truck, rail, or Columbia and Snake River inland barge, it takes money and capacity to do the job. Improvement of freight facilities - rail, motor carrier, port, and air - would significantly benefit the state's economy and Idaho's ability to move goods.
- d. General freight transportation efficiencies need to be investigated with the possibility of incentives for infrastructure improvements.

D. Public transportation must be addressed as part of Idaho's comprehensive transportation solution for the future.

One of the clear messages coming from the forum was the need to address Idaho's public transportation requirements. The interest in public transportation in Idaho continues to grow with citizen's needs and demands. Elected and appointed officials are seeing the importance of public transportation in the mix of solutions for addressing Idaho's mobility needs. However, the challenges with public transportation, first and foremost, come quickly to funding or more correctly, the lack thereof. Specific to this conclusion are the following:

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- a. Idaho is one of six (6) states in the United States that does not have a dedicated state revenue funding stream for public transportation. Additionally, there is currently no local revenue authority.
- b. Competition for federal funding has never been greater.
- c. Even if federal funding is available, state/local matching requirements reflect a need for a larger proportion coming from Idaho revenue sources.
- d. Interest in public transportation is growing. Recent polls report that urban residents would use public transportation if available and rural residents also favor this mode of travel.

E. Idaho's current transportation revenue structure will not meet the pressing transportation funding needs over the next 30 years.

The transportation revenue challenge lies not in a single solution, but rather in adopting a menu of revenue sources to address both state and local needs and all modes of transportation. The magnitude of the transportation funding gap, coupled with the inability of the fuel tax (the state's largest funding contributor) to fill Idaho's transportation revenue needs, indicates that multiple funding sources are required to adequately fund Idaho's transportation future. Moreover, transportation revenue limitations and/or other investment requirements have hindered innovative investment in multi-modal infrastructures and other transportation investments.

The forum considered many tools used by state and local jurisdictions throughout the country to assess which would be the most effective for Idaho. Included in this review were impact fees, sales tax on transportation-related products, local option fuel taxes, advertising, transportation-related fees and others. The forum recognized that fuel taxes should have been increased in the past 10 years. Immediate measures should be taken to adjust for the past and meet future transportation funding needs.

F. Transportation must be addressed at all levels of government and all jurisdictions.

Transportation in Idaho is not strictly a state government challenge. Cities, towns, counties, highway districts, and numerous other transportation providers struggle with the need to provide effective transportation services for Idaho citizens. Land use and transportation infrastructure development must be integrated and coordinated at all levels of government. From the many discussions held by the forum, solving the transportation challenges for Idaho must be done with an eye towards all levels of government and all entities responsible for delivery of transportation services, economic development, and overall land use. Relating to this conclusion, the following was considered:

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- a. Almost 300 various jurisdictions have responsibility for Idaho's transportation system.
- b. Idaho's road system is composed of over 47,000 miles (12/31/05) of roadway - reflecting all levels of government and jurisdictions.
- c. Some organizations are moving to more thorough consideration of land use and transportation planning, but more integration and coordination is needed.

G. Federal funding cannot be relied upon to solve Idaho's transportation funding challenges.

Some would suggest that the solution to Idaho's transportation funding challenges lies in garnering additional federal funds. While Idaho has been a benefactor for many years of substantially higher than normal federal funding allocations, there is clear evidence that the federal Highway Trust Fund (HTF) will soon be unable to sustain the current levels of funding of the recently passed SAFETEA-LU legislation. In fact, reports indicate that the HTF will have a deficit balance by FY2010 if current spending levels continue. Future reliance on federal funding to an inordinate degree would not be wise or realistic. Factors relevant to this conclusion are:

- a. Idaho received a 30.32% apportioned increase in federal funding through the SAFETEA-LU legislation.
- b. Current revenues into the HTF are about \$29 billion per year, while outlays are projected to be nearly \$40 billion per year (FY2006). By spending more than is coming in, the HTF will not support increased funding to the states without a major tax increase. Even with the tax increase, Idaho's funding percentage would likely shrink.
- c. The amount of state fuel tax revenues used to match federal aid is unchanged by the Grant Anticipation Revenue Vehicle (GARVEE) bonding of projects currently being considered.

H. Idaho's transportation needs in the next 30 years are in excess of \$20 billion.

The transportation needs of Idaho are significant. As part of the forum's study of transportation finance, a comprehensive list of future needs for the next 30 years gave the members a sense of the transportation challenge they are facing. Through extensive engagements with stakeholders across the state, the forum compiled a listing of projects and proposed needs for local roads and highways, state highways, public transportation and aviation. The total funding requirements in FY2005 dollars ranged from \$20 billion to \$23 billion over the next 30 years. Specific to this conclusion are the following:

Forum on Transportation Investment

- a. Needs for the various modes and jurisdictions were identified as follows:
 - 1. Interstate highways: \$4.5 billion,
 - 2. State highways: \$8 billion,
 - 3. Local transportation: \$6.3 billion,
 - 4. Airport access: \$221 million,
 - 5. Public transportation: \$1 billion.
- b. Projections based on past transportation funding levels show that an inflated need for the same period could be in excess of \$23 billion.
- c. The capital costs of the GARVEE (Grant Anticipation Revenue Vehicle) bonding projects are included in the 30-year \$20-\$23 billion range of funding requirements.
- d. While the listing of projects may change over time, it is doubtful that the magnitude of these needs will vary significantly.

I. Increased transportation funding must be addressed now.

Many think that transportation funding is a challenge to be left to future generations of leaders. The forum concluded that this was not correct. Given the staggering needs identified by state and local entities as part of the forum process, the shortfall in funding is a challenge that has been with the state for years and stretches far into the future. Funding transportation must be resolved in the near term as well as for decades to come. Considerations in reaching this conclusion included the following:

- a. In the 1995 *Idaho Highway Needs Assessment Study Update*, the backlog of transportation needs among all jurisdictions was identified for the period of 1994 through 2000 to total \$8.65 billion. As the forum considered future transportation requirements, the backlog of projects and needs continued to increase.
- b. Available revenues for the period of FY1994-FY2000 totaled \$4.1 billion. This is less than half the needed amount identified in the 1995 *Idaho Highway Needs Assessment Study Update*.
- c. The GARVEE (Grant Anticipation Revenue Vehicle) bonding program is not additional transportation revenue. Rather, GARVEE bonding allows critical projects to be constructed sooner by borrowing against future anticipated federal revenue.

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J. Idaho's funding shortfall from FY2005 through FY2035 is over \$200 million a year.

With both "needs" and current funding levels identified, the forum projected a significant transportation funding shortfall. The gap between available funding and what is currently or reasonably expected to be available over the next 30 years is \$203 million per year in 2005 dollars. This is in addition to the funding already available from existing state sources and includes new monies coming from SAFETEA-LU.

How to fill that gap and achieve a viable transportation infrastructure became the task of the forum in preparing its recommendations to the Idaho Transportation Board. Two problems exist: 1) inflation is eroding the purchasing power of the transportation dollar, and 2) demands on the transportation system are outstripping the revenue collected to pay for these demands.

In addition, the forum spent considerable time examining the possibilities for indexing the motor fuel tax to guard against inflation and other factors that tend to reduce fuel tax contributions toward state and local transportation funding needs. Consideration of a variety of means to index the motor fuel tax was undertaken; including the amount of travel measured each year (annual average vehicle miles traveled) and the national construction cost index. There is substantial evidence that indexing the motor fuel tax is an effective means for maintaining transportation funding viability. The following were identified:

- a. Currently sixty-nine percent (69%) of Idaho's transportation revenue is from the motor fuel tax and twenty-eight percent (28%) from motor vehicle registrations. The fuel tax and registration fees have not increased since 1996.
- b. If indexing, based on any methodology, had been applied over the last 10 years, the motor fuel tax would have offered a more robust funding stream for Idaho's transportation funding needs.
- c. The forum concluded that revenue sources need to be uniquely selected to fit Idaho's economic and funding circumstances. The following tools held the most promise for addressing the 30-year funding needs of the state:
 - i. Increase the fuel tax,
 - ii. Increase vehicle registration fees,
 - iii. Assess impact fees (at all levels of government) on land improvements,
 - iv. Reduce or eliminate the impact on the Highway Distribution Account of alternative fuel tax incentives or exemptions,

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- v. Index fuel taxes, vehicle registrations, and other transportation-related fees,
- vi. Create a rental car fee to generate revenue for transportation initiatives,
- vii. Provide local option taxing authority for transportation-related initiatives,
- viii. Transition from traditional revenue generating sources (fuel tax/other) to other methodologies (BTU tax, VMT tax, etc.),
- ix. Promote partnerships (private/public, public/public, etc.) whenever possible,
- x. Provide opportunities for user-fee based systems (toll roads/HOT lanes, congestion pricing, etc.).

K. Solutions to Idaho's transportation funding challenge will require innovative and non-traditional revenue sources and means of collection, and efficiencies in many forms.

For many years Idaho has relied on traditional fuel taxes and a variety of fees to fund its transportation needs at the state and local levels. But, as demands and needs increase and circumstances change, it is apparent that non-traditional solutions can and should contribute in a large way to fill the looming transportation funding gap. Ultimately, elected and appointed officials must explore every possible option for addressing the transportation funding challenges. With this conclusion in mind:

- a. Idaho must examine the various transportation jurisdictions and determine the most effective means for funding the demands on the jurisdiction.
- b. Each transportation entity must maximize the revenues collected and transition to different collection means and methods as needed.
- c. Efficiency in many forms must be applied to revenue sources, revenue collection, and project delivery to ensure the most effective use of transportation revenue.

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L. Idaho must recognize the eventual transition from motor fuel (gasoline, diesel, etc.) to alternative-fuel vehicles and prepare accordingly.

As motor fuel prices increase, the public's interest in hybrid and alternative-fuel vehicles will continue to rise. Concerns for air quality and fuel economy also are contributing to public demand for vehicles that use less fossil fuel. The outcome of these trends will be a reduction or possible elimination of fuel taxing as a viable revenue stream for transportation funding. The transition from a gas and diesel fuel-based taxation system to other revenue-generating sources will take 10-20 years. Ultimately, Idaho must prepare for this change in taxation and more importantly, begin the preliminary steps today.

- a.** Recognize that transportation infrastructure and the subsequent funding investments are dynamic processes.
- b.** Research and gather information to recognize additional/alternative transportation-related taxation and revenue-producing sources.
- c.** Establish methods to review transportation revenue and goals and adjust revenue-generating methods as needed.

RECOMMENDATIONS

FORUM RECOMMENDATIONS

The forum members determined as a group that certain recommendations would be advanced as a consequence of their efforts over the last year. In doing so, guiding principles were adopted that governed the context in which these recommendations would be made. The process whereby these recommendations were accepted adhered to a deliberate format which included the following:

- Acceptance by consensus—not necessarily unanimous
- Establish a range of transportation needs
- Categorize current funding options and proposed changes if appropriate
- Propose future funding, criteria for ranking/prioritizing surface transportation demands, etc.
- Allow “minority” recommendations as formally written (see Appendix G, Other Information)

GUIDING PRINCIPLES

The forum members agreed that two guiding principles serve as the foundation of their recommendations.

Idaho can control its own transportation destiny through proactive decisions and creative strategies for transportation investment that do not overly rely on federal revenue sources to meet Idaho’s transportation needs.

When considering transportation policies, methods for revenue generation, and infrastructure projects, use the following priorities:

- **SAFETY** — *Ensure safety and security in travel by decreasing the risk of injury or property damage on, in, and around transportation facilities.*
- **LAND USE LINKED TO TRANSPORTATION SYSTEM** — *Protect Idaho's environment and natural resources by making investments that are not only sensitive to the environment, but also provide and encourage beneficial transportation choices.*
- **LONG-TERM PLANNING AND GROWTH** (coordinated plans) — *Enhance the quality of life in our communities through transportation. Relieve/manage congestion to ensure the smooth flow of people and goods throughout the entire system. Broaden transportation opportunities and essential services for those who cannot or choose not to drive.*

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- ***COST BENEFIT*** — *Ensure Idaho's continued economic competitiveness by providing a safe, reliable, and efficient transportation system of roads, bridges, public transportation, aviation, rail, and ports. Facilitate the efficient movement of goods using all modes of transportation.*

POLICY RECOMMENDATIONS

Idaho should:

- P-1** Integrate land use and transportation planning at all levels-state/regional/local.
- P-2** Provide opportunities for user-fee based systems (toll roads/high occupancy toll (HOT) lanes, congestion pricing, etc.).
- P-3** Promote partnership opportunities (private/public, public/public, etc.) and remove legal barriers whenever possible.
- P-4** Pursue future revenue opportunities and sources by transitioning from traditional revenue generating sources (fuel tax/other) to other methodologies (BTU tax, VMT tax, etc.).
- P-5** Update the analytic *Idaho Highway Needs Assessment Study* approximately every 10 years.

POLICY/REVENUE RECOMMENDATIONS

Idaho should:

- P/R-1** Acknowledge that public transportation should be an integral part of Idaho's transportation system by dedicating revenue mechanisms to address these issues.
- P/R-2** Achieve improved freight mobility by encouraging truck/rail/port/air infrastructure investments and efficiencies.
- P/R-3** Provide local option taxing authority for transportation-related initiatives.
- P/R-4** Establish index strategies for fuel taxes, vehicle registrations, and other transportation-related taxes and/or fees.
- P/R-5** Create a rental car fee to generate revenue for transportation initiatives.

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P/R-6 Assess new growth and development impact fees for transportation facilities and distribute to transportation jurisdictions within the associated area of impact.

REVENUE RECOMMENDATIONS

Idaho should increase revenue to the Highway Distribution Account by:

- R-1 Increasing the fuel tax and vehicle registration fees as soon as possible.**
- R-2 Increasing motor vehicle-imposed fees to cover the cost of providing the services.**
- R-3 Eliminating or replacing the revenue impact of alternative fuels tax exemptions (e.g., ethanol, bio-diesel, hydrogen, or electric fuels).**

The forum reviewed numerous documents related to transportation, listened to information from recognized transportation professionals, and shared their own personal expertise to shape their views on Idaho's transportation future. The following Forum Report and Forum Appendices contain the information used.

FORUM REPORT

INTRODUCTION

The “ability to move people and goods quickly, cheaply, and efficiently has enabled the United States to sustain the world’s largest and most successful economy.” – AASHTO’s 2002 Bottom Line Report.

A balanced, competitive, multi-modal transportation infrastructure system is vitally important to economic growth, and yet, the impact of a diversifying economic base and an aging transportation infrastructure has resulted in a major transportation challenge. Several studies have demonstrated that nationwide there is an unmet demand for transportation maintenance of \$770 billion, and improvement needs in excess of \$1.6 trillion. Economic trends coupled with the shrinking viability of transportation revenue generating mechanisms make it clear that now is the time to initiate comprehensive financing reforms designated for the United States’ transportation infrastructure.

Idaho faces similar significant transportation investment challenges. Future demands for roadway construction, public transportation, and safe vehicle operations will be fueled by Idaho’s emergence as a major economic center and rapid population growth anticipating double its residents by 2025. Additionally, an aging transportation infrastructure (bridges and other highway components nearing the end of their design life) will require replacement revenue to ensure continued viability of the overall system. Growth will impact life in urban areas as well as rural communities across the state. Business forces are at work changing the very nature of our state’s economics. It is an exciting and vibrant time to live in Idaho and it is crucial that Idaho’s transportation infrastructure be sustained. Much of Idaho’s future will be written largely by the transportation decisions made in the next few years.

These transportation challenges far outweigh current annual transportation expenditures. Idaho’s transportation officials at both local and state levels foresee increasing difficulty in maintaining an effective transportation infrastructure in the next 30 years. Several studies in the last 10 years have identified an overall backlog of transportation improvements in excess of \$8.6 billion. Additionally, Idaho’s transportation revenue sources have flattened and buying power has decreased.

Innovative, efficient, and responsive transportation financing and funding mechanisms are needed to meet long-term system growth. In the last few years, Idaho’s legislature has seen funding proposals for surface transportation that include authorization for local option taxes; increased funding to local units of government through increased vehicle registration fees and changes to commercial vehicle fee structures. All are the result – of efforts in the face of static or shrinking revenue sources – to meet the challenges of transportation infrastructure maintenance and/or expansion, public transportation, congestion mitigation, and many other issues related to statewide transportation.

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The need for enhanced revenue sources continues and decisions must be made carefully, address transportation issues holistically, and recognize the many elements contributing to Idaho's citizen mobility. To provide elected officials, business, and community leaders with a way to focus on Idaho's future transportation investment, the Idaho Transportation Board established a Forum on Transportation Investment (FTI) in May 2004 to identify and provide vision and direction for Idaho's transportation future. In all, 57 individuals representing transportation interests and stakeholders from across the state were invited by the Idaho Transportation Board and the Idaho Transportation Department to participate in an effort to define the future investment needs and funding strategies necessary to ensure the future of Idaho's transportation system.

The forum was to examine and assess Idaho's future transportation requirements, and make recommendations of actions and options to achieve a future transportation vision (2006-2035). This 30-year look was intended to give elected officials and policy makers a vantage point from which to chart the state's transportation future.

The forum's goal as described in the charter is two-fold:

1. Establish an understanding of the needs and demands for transportation improvements and the available options for financing and funding Idaho's transportation system; and
2. Make recommendations to the IT Board on how to shape future investment in the Idaho surface transportation system.

In addition, the forum had three core focus areas to investigate:

- 1) Review current financing/funding options;
- 2) Understand the demand for improving Idaho's transportation system and summarize projected needs; and
- 3) Assess future innovative financing and revenue options.

With this charter and these focus areas, the forum was able to evaluate the investment needs of the state and develop the recommendations found in this report.

Forum on Transportation Investment

FORUM FORMATION

The Forum on Transportation Investment was formally initiated by the Idaho Transportation (IT) Board in September of 2004. In doing so, the IT Board established specific parameters around which the forum would function and the focus of its outcomes. No effort was made on the part of the IT Board to guide or unduly influence the final products of the forum. Rather, the forum was free to assess the information they were provided, perform their due diligence and make recommendations as they saw fit. In order to accomplish this, a charter was developed that guided these efforts.

Given the complexity of the information to be considered by the forum, the Idaho Transportation Board and the Idaho Transportation Department retained the services of Dwight M. Bower from H. W. Lochner, Inc. and Thomas R. Warne, from Tom Warne and Associates, LLC to provide expertise in the subject areas of transportation systems and their financial elements providing an important technical resource to the forum and its deliberations.

FORUM CHARTER (See Appendix A, Charter.)

BACKGROUND

Surface transportation requirements in Idaho will become a major challenge over the next 10 years.

Infrastructure demands associated with roadway construction, maintenance, public transportation, and vehicle operations will be fueled by Idaho's continuing emergence as a competing economic center, by the impact of a diversifying economic base, by the attraction of the Idaho "quality of life," and by the corresponding accelerated aging of the existing Idaho surface transportation infrastructure.

Several studies in the last 10 years have identified improvements to the state surface transportation system in excess of \$3.8 billion. Local road systems are estimated to require as much again.¹

In the last two years, legislative sessions have seen new funding proposals for surface transportation that include authorization for local option taxes, increased funding to local units of government through increased vehicle registration fees, and changes to commercial vehicle fee structures. All are the result of efforts – in the face of static or shrinking revenue sources – to meet the challenges of short- and long-term demands in such areas as roadway system maintenance, roadway system expansion, public transportation and congestion mitigation, to name a few.

¹ The *Idaho Highway Needs Assessment Study Update*, issued June 1995, on page 4 stated "For all four jurisdictional levels, total needs amount to \$8.655 billion for the seven year period."

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Traditional funding, combined with new innovative financing mechanisms, will need to be integrated with efficient and responsive planning to meet the transportation expectations of a growing population. Idaho will face many significant challenges in the future. Growth will impact life in urban and rural communities across the state. Business forces are at work changing the very nature of our state's economics.

Much of Idaho's future will be largely written by decisions made in the next few years. These decisions must be made carefully, addressing the state's transportation issues with a clear understanding of the many elements contributing to both transportation mobility and connectivity.

Now is the time to initiate an effort to examine and understand future Idaho surface transportation requirements and funding approaches available to meet these requirements. It is important that there be a forum in which interested parties can have a place to share their ideas.

In September 2004, the Idaho Transportation Board established the Forum on Transportation Investment so that Idaho elected officials, business and industry leaders, and community leaders could bring forward recommendations on how to shape the future investment in the Idaho surface transportation system.

GOAL

The goal of the Forum on Transportation Investment was two-fold:

- 1) Establish an understanding of the needs and demands for transportation improvements and the available options for financing and funding Idaho's transportation system; and
- 2) Make recommendations to the Idaho Transportation Board on how to shape future investment in the Idaho surface transportation system.

ROLE

The role of the forum was to:

- Hear presentations and input,
- Propose/endorse policy and funding options or recommendations,
- Bring critical thinking and credibility to project products, and
- Educate forum participants through cross-forum communication.

This forum was to address three (3) focus areas.

1. **Current Financing/Funding Options** - An array of current funding options was assembled listing traditional and non-traditional sources of transportation revenue. The purpose of this step was to ensure that all currently available funding sources were or would be maximized before seeking new revenue sources.

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2. **Understanding the Demand** - Through the use of existing data, and the transportation planning efforts already in place—as well as other public input processes—a summary of Idaho’s needs was developed and communicated in a clear and concise manner.
3. **Future Innovative Financing and Revenue Options** - Just as the practice of transportation evolved and changed each year, the opportunities for new or different revenue streams for transportation continued to present themselves. The focus addressed the various options available and created an understanding of how they might play a role in meeting Idaho’s transportation needs into the future.

MEMBERSHIP

Members were drawn from local officials, associations’ leadership, business leaders, citizens and others who represented Idaho’s urban and rural interests and communities. Ex-officio members included individuals from the legislature and Governor Kempthorne’s office (see Appendix B, Members).

LEADERSHIP

The Chairman for the Forum on Transportation Investment (FTI) appointed by the IT Board Chairman, Chuck Winder, was Jim Kempton. The Vice-Chairman, elected at the first meeting, was Mayor Tom Dale (City of Nampa).

FORUM METHODOLOGY

The forum shall examine all elements of surface transportation including highways, rail, and transit by doing the following:

1. Examine, document, and assess Idaho’s multi-modal transportation needs through 2030 including needs already documented by state and local government.
2. Investigate and determine if there are additional needs deemed critical by state and local elected officials.
3. Examine current transportation finance tools and assess their current and future viability.
4. Investigate and assess additional financing tools and assess their future viability.
5. Overlay the identified aggregate transportation needs and demands with potential funding options, and assess Idaho’s ability to meet mobility and connectivity requirements in the future.
6. Recommend actions, policies, and options that will shape future investment in the Idaho surface transportation system.
7. Compile a final report of options and recommendations for consideration by the Idaho Transportation Board.

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Forum on Transportation Investment

COMPLETION

November 2005 (actual completion January 19, 2006)

MEETING OBJECTIVES AND MANAGEMENT

MEETING OBJECTIVES

The Idaho Transportation Board has established the Forum on Transportation Investment (FTI) to provide review and direction for Idaho's transportation future. The following schedule was developed to encompass a dialogue that will ultimately lead to a series of recommendations and options for policy makers in the state.

The meeting objectives for the Forum on Transportation Investment were as follows:

Meeting #1 – Organization and Objectives

1. Elect a forum Vice Chair.
2. Gain consensus around the broader goals and objectives of the FTI.
3. Begin the FTI discussion process.

Meeting #2 – Current Financial Tools

1. Begin a discussion on the difference between “wants” and “needs.”
2. Achieve FTI understanding of the array of current financial tools available for Idaho.
3. Achieve FTI understanding and status of the current tools for addressing Idaho's current and future transportation needs.

Meeting #3 – Transportation Needs – Current and Future

1. Achieve FTI understanding of the current and future highway needs of local, state, and federal entities.
2. Achieve FTI understanding of the current and future highway needs of the state system.
3. Achieve FTI understanding of the current and future needs relating to transit.
4. Assess the validity of the planning and analysis that has resulted in the needs presented.
5. Achieve understanding of the difference between “wants” and “needs.”

Forum on Transportation Investment

Meeting #4 – Future Finance Options

1. Achieve FTI understanding of the array of financial tools and revenue sources available for Idaho in addressing its future transportation needs.
2. Assess the adequacy of current financial tools to meet the needs identified and accepted in meeting #3 as well as whether or not additional tools will be required.
3. Assess the need to advance and embrace new tools to supplement the current financial tools available.

Meeting #5 – Assess Long-Range Surface Transportation and Revenue Sources

Working with the forum's long range surface transportation vision,

1. Achieve consensus as to the forum's long-range assessment of Idaho surface transportation; (as related to) perceptions and underlying assumptions about planning processes.
2. Further refine the adequacy of current financial tools and assess whether new financial and revenue resources should be incorporated into FTI recommendations to the Idaho Transportation Board.

Meeting #6 – Draft Recommendations

1. Recap the difference between “wants” and “needs.”
2. Achieve consensus around the draft recommendations as to the transportation needs in Idaho; to include perceptions and assumptions in planning processes (*continue discussion from meeting #5 as applicable*).
3. Achieve consensus around the draft recommendations as to the financial tools and revenue sources necessary to address these needs.

Meeting #7 – Finalize Draft Report

1. Achieve consensus around the draft report; to include recommendations for financial tools and revenue sources necessary to address future surface transportation needs.

Meeting #8 – Final Report and Recommendations

1. Achieve consensus for approval of FTI's final report and recommendations for transmittal to the IT Board.
2. Achieve consensus regarding possible promotion, endorsement, and other public advancements of the FTI's recommendations.

Forum on Transportation Investment

MEETING MANAGEMENT

The forum was considered a “work in progress” and outcomes continued to be assessed throughout the process.

Membership was open to additional members as needed.

The first six (6) forum meetings were for data-gathering and analysis; the last two (2) meetings were to craft the recommendations and the report.

The forum looked at the full spectrum of possibilities, assessed innovative methods, gathered information about the seriousness of our deteriorating transportation infrastructure, and the need for improvements and restructuring, and then developed a set of recommendations.

Meeting times and locations were held in hotel facilities that had parking and catering available. Boise meetings were 9 a.m. to 4 p.m.; other meetings were 10 a.m. to 4 p.m.

Minutes, updates, and other information were sent electronically at least 10 days prior to the next meeting.

All electronic documents are now available on the ITD website at <http://itd.idaho.gov>.

The Members reviewed possible information that should be considered at the various meetings; several members volunteered to supply reports or speak to various subjects that they are involved with.

The following facilitators were utilized.

Lisë Stewart (lstewart@galliardgroup.com)

Fred Kitchener (fmkitch@mindspring.com)

David Meyer (dmeyer@people-first.com),

Andrea Strojohann (Andrea.Strojohann@itd.idaho.gov)

Forum on Transportation Investment

In order to set the stage for the discussion of Idaho's future transportation system and its necessary funding, the forum endeavored to gather information about many of the related aspects of the issue. This process included tapping into the collective knowledge of individuals representing various segments of the transportation industry, users of the system as well as other stakeholders. This effort allowed forum members the ability to put each of the issues in perspective with all the other variables under consideration. Those invited to present to the forum offered many insights into the current and future transportation system in the United States and Idaho. The following is a summary of the presenters input including, in some cases, questions posed that were intended to provoke thoughtful discussion on the part of the forum members as they deliberated on the ideas and issues that would lead to the recommendations in this report.

DEMOGRAPHIC GROWTH

POPULATION AND RELATED GROWTH ISSUES

John Horsley, Executive Director, American Association of State Highway and Transportation Officials (AASHTO), Where Is Transportation Moving? (See Appendix E, Presentations.)

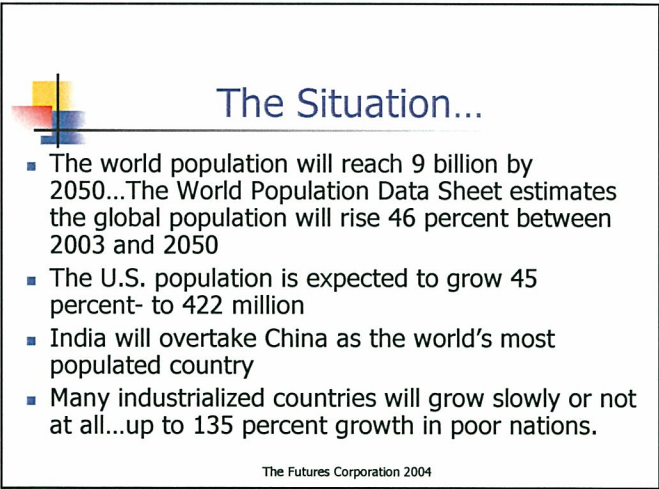
“Idaho ranks as the 5th fastest growing state in the U. S.”

“Boise ranks as the 7th fastest growing metropolitan area.”

John Luthy, President, The Futures Corporation, The Future – Change, Challenge, and Strategic Thinking (See Appendix E, Presentations)

The world's population will reach 9 billion by 2050 — a phenomenal 46% increase in just under 50 years. This is a staggering number when considering the global ramifications that are expected.

Growth in Idaho will outpace both the world-wide increase as well as that of the United States during this same time period.



The Situation...

- The world population will reach 9 billion by 2050...The World Population Data Sheet estimates the global population will rise 46 percent between 2003 and 2050
- The U.S. population is expected to grow 45 percent- to 422 million
- India will overtake China as the world's most populated country
- Many industrialized countries will grow slowly or not at all...up to 135 percent growth in poor nations.

The Futures Corporation 2004

Figure 1: John Luthy presentation–slide #3

In his presentation, John Luthy predicted Idaho's population will grow by 56% by 2030 to over 2 million people.

H.W. Lochner/Tom Warne and Associates

Forum on Transportation Investment


Unfortunately, because of Idaho's topographic limitations, the population will be compressed into key geographic areas. This concentration will further amplify transportation and other community needs incident to this projected growth in population. In addition, the engine of Idaho's economy will be fueled by the high technology field, service industries, tourism, timber and agriculture. The growth in population will come from a combination of internal increases due to the birth rate exceeding the mortality rate and a net in-migration of those who choose to make Idaho their home.

Idaho is a "bridge state," meaning that much of the Idaho transportation system services those who are only passing through and whose destination does not lie within its borders. Every time north-south highways are improved, Canadian growth becomes easier to achieve. Good roads assist Canadian exports in their movement to more southern markets. The same is true for the east-west corridors that cross the state. Logistics in transportation is the key to import/export competitiveness; and transportation planning for the future will have to address this issue. To be most effective transportation systems are going to have to be allied with producers to define the smartest way to match their needs.

Another challenge that will impact western population growth is water. Water is a finite resource that will be more scarce in the future. Of related concern is that major climatic shifts can occur in less than ten years further influencing growth patterns and rates.

What will the nature of traffic be in 2020? Or 2030? Where will it be most significant? Will traffic growth and congestion be key motivators for both funding and planning? These are questions posed to the forum as key considerations for determining the future course of transportation for the State of Idaho.

Trend analysis indicates that freight transport via long-haul trucks will continue to increase. What impact will this have on road planning – including new capacity and maintenance programs? Will trucking be more of a critical planning factor than passenger cars? Passenger vehicle size is predicted to decrease over the next 20 years as gasoline, maintenance costs, and prices soar. How will smaller cars impact transportation planning and road maintenance?



In Our Communities...

- Competition for finite resources - more difficult to balance needs of one community or multiple local communities
- Growing scrutiny, more demand, higher expectations, conflicting needs around social, physical & financial investment
- Greater need for consolidation, partnerships, and collaborative thinking

The Futures Corporation 2004

Figure 2: John Luthy presentation-slide #12

Forum on Transportation Investment

It is predicted that alternate fuels will become very prominent within ten years. This indicates change in the traditional transportation funding world where the motor fuel tax is the foundation of virtually every major program in the country. Yet, there is currently no mechanism to track usage or to tax alternative fuels such as hydrogen or electricity.



Some Practical Questions...

Several billion dollars needs to be invested in Idaho's transportation infrastructure over the next fifteen to twenty years. How should the state plan for such long-term – and very predictable- funding requirements? Will the same old approaches suffice or are there other proven approaches that can ensure continuous improvement? What mechanisms can be created and what actions must be taken?

The Futures Corporation 2004

Figure 3: John Luthy presentation-slide #35

Historically, ITD has done an effective job of linking metropolitan areas within a very rural state. What type of collaboration on the state's transportation systems will be necessary into the future to meet both rural and urban needs? Commuter demand is predicted to intensify and grow significantly in specific areas. Due to economic realities related to business growth options in Idaho communities, should roadway funding be tied to predicted or desired economic development? Land use planning will grow to be much more interrelated with transportation planning in the years to come—much more than it is today. How will economic development planning, land use planning, and transportation planning be integrated? Are there existing mechanisms or must they be created? Who leads this effort?

Based on supportable fact and predictable reality...

- What should be done;
- Where must it be done;
- When should actions be complete;
- And, how do we ensure a realistic opportunity to succeed?

IDAHO TRANSPORTATION SYSTEM

Idaho's transportation is a multi-faceted and complex system. Presentations were made on capital improvement, transportation system vision, GARVEE (Grant Anticipation Revenue Vehicle) legislation, surface transportation capital improvement, regional needs, local transportation systems, visions of public transit and public transportation, and Railroad 101 to help develop a foundation for Idaho's transportation system.

CAPITAL IMPROVEMENT PERSPECTIVE

Tom Warne, Tom Warne & Associates, LLC (See Appendix E, Presentations)

Several transportation principles define Idaho's future.

1. Transportation is tied closely with Idaho's economic future.
2. Transportation's number one objective is moving people and goods in a timely manner.
3. Idaho's economic development, tourism, quality of life, agriculture, etc., are heavily influenced by the surface transportation system.
4. Transportation projects of the future must meet the ultimate statewide goals while addressing local issues.

When developing future projects, the following considerations should be made.

- Projects should be tied to statewide transportation objectives.
- Measurement of each project's costs, timeliness, efficiency, etc., must be used and communicated to Idaho's citizens.
- All options and technological uses should be considered.
- The transportation program should balance statewide needs and local issues.

TRANSPORTATION SYSTEM VISION

Scott Ellsworth, CH2M Hill, representing the Highway Users Federation
(See Appendix E, Presentations)

The Idaho Transportation System Vision (<http://www.idahofuturetravel.info>) offered these insights into the current state of travel in Idaho:

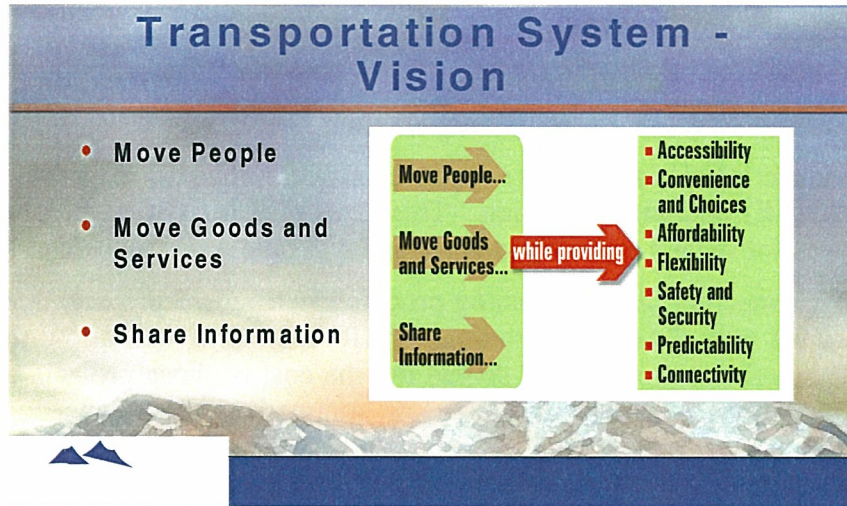


Figure 4: Scott Ellsworth presentation-slide #4

- Idaho's highways (all jurisdictions) have 14.4 billion vehicle miles traveled (VMT) annually.
- Ninety-one percent (91%) of personal travel is done in a private car (with 76% being in a single-occupant vehicle).
- Twenty-six percent (26%) of Idaho's urban roads are now congested.
- Rural interstate traffic has increased 36% and axle loads have increased 88%.
- Studies have shown that conditions on Idaho's highways and bridges have a backlog of needs; the *1995 Idaho Highway Needs Assessment Study* estimated the backlog to be \$8.6 billion.

Finally, the Highway Users Federation offered their vision priorities.

- Integrate the entire transportation system.
- Support quality of life and continue to be endorsed.
- Funding with multimodal flexibility.
- Integrate transportation and land-use planning.
- Support modal choices for all.

Forum on Transportation Investment

The forum worked for over a year in assessing Idaho's transportation needs as well as the current and potential revenue sources available to meet those needs. Besides having the new SAFETEA-LU legislation passed at the national level, the Governor and the Idaho State Legislature created a statewide program called "Connecting Idaho" which will be supported in large measure by using GARVEE bonds provided for by the federal government. In order to better understand this program, Director Ekern briefed the forum on its provisions and desired outcomes.

GARVEE LEGISLATION – "CONNECTING IDAHO" (See Appendix E, Presentations)

David Ekern, Director, Idaho Transportation Department

The Idaho legislature recently approved Grant Anticipation Revenue Vehicle (GARVEE) bonding legislation. This GARVEE legislation involved statute changes for several state departments and will take additional effort to enact.

The "Connecting Idaho" planning process identified 13 projects that could be expedited with GARVEE bonding. GARVEE bonds will allow the state to advance critical projects and spread out the cost of those projects over many years of revenues. The figure below summarizes the "Connecting Idaho" program and its projects.

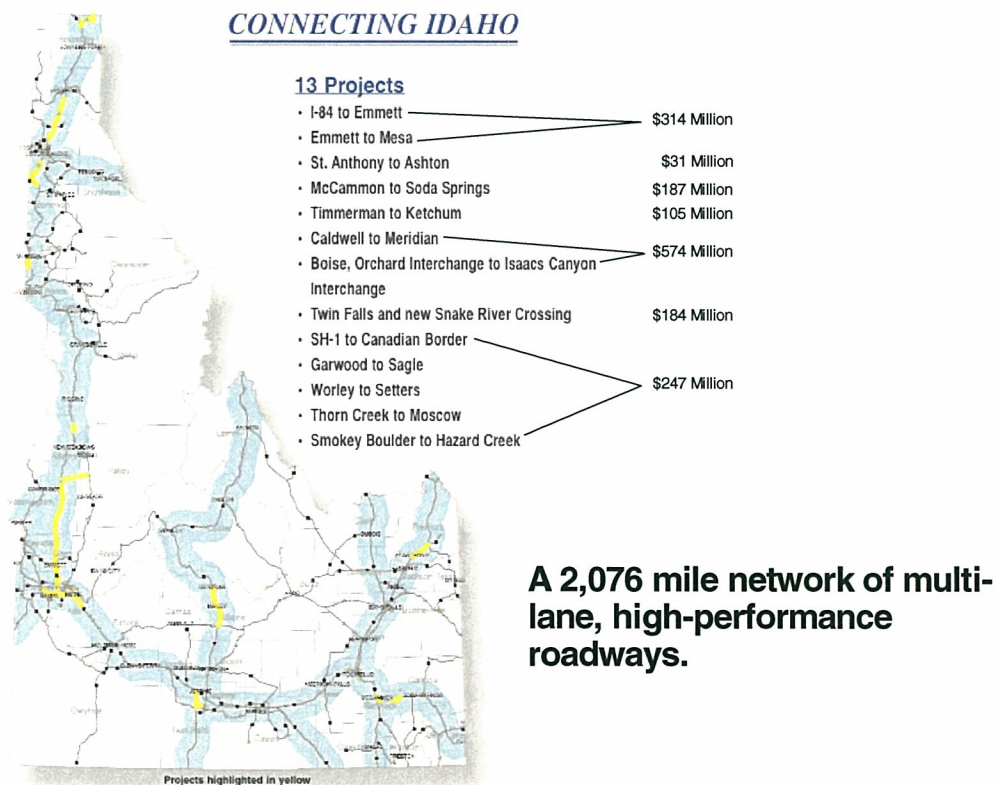


Figure 5: GARVEE Legislation-David Ekern-slide #3

H.W. Lochner/Tom Warne and Associates

Forum on Transportation Investment

The Idaho Transportation Department was tasked with the following when considering projects for GARVEE bonding:

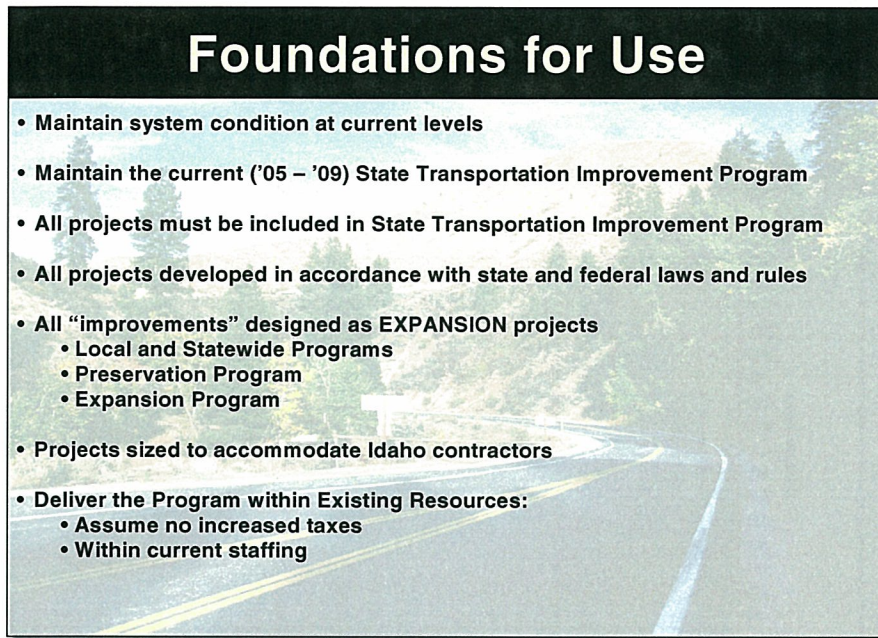


Figure 6: GARVEE Legislation-David Ekern-slide #4

The GARVEE legislation and the ability to program and build identified projects is a significant step in the vision of "Connecting Idaho," but it is not the final answer in Idaho transportation considerations. The use of GARVEE funding is not a substitute for the need to raise revenues to offset lost buying power that has occurred since FY2000, especially at the local level. Using GARVEE bonding for Idaho transportation has the long-term positive effect of not only "connecting Idaho" but of "banking" recyclable petroleum-based pavement materials through up-front construction. Energy-based material costs, such as for asphalt, will escalate rapidly over the next decade as oil becomes more and more competitive on the worldwide market.

Forum on Transportation Investment

The infusion of project funds is reflected in the early years in the following figure. What continues as a constant need is funding for smaller projects, routine maintenance and other transportation needs not included in the “Connecting Idaho” program.

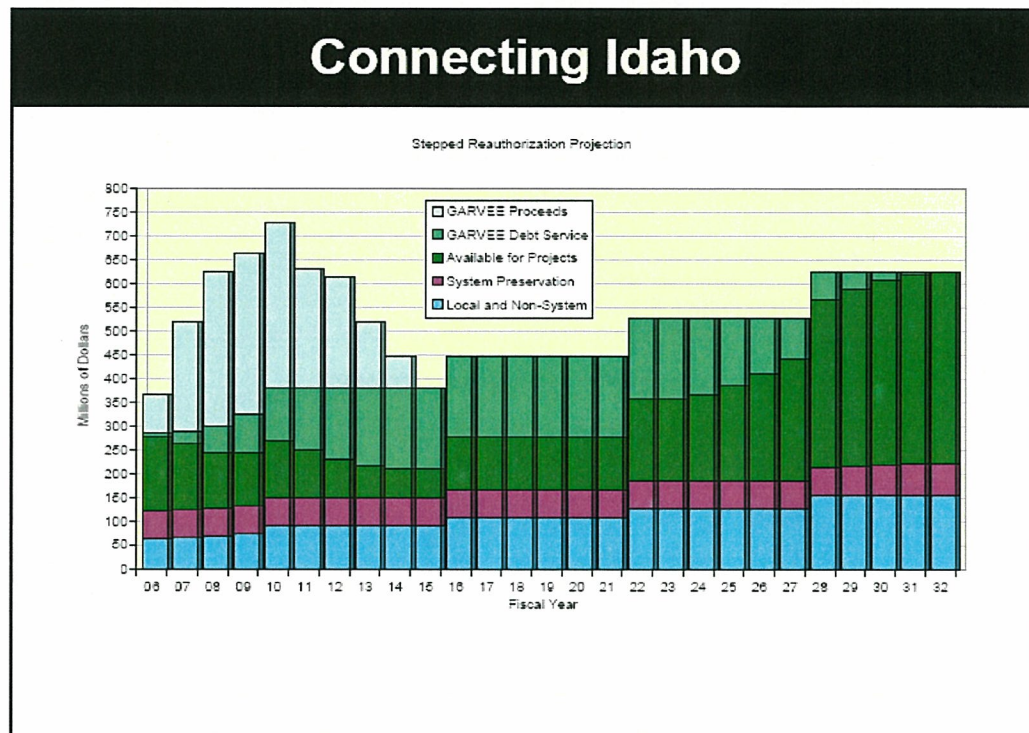


Figure 7: GARVEE Legislation-David Ekern-slide #8

For example, Idaho’s transportation system has a backlog of capital improvement and maintenance needs reported in 1995 as \$8.6 billion. The *1995 Idaho Highway Needs Assessment Study* concluded that there has been a pattern of chronic under-funding of highway programs and generated recommendations for funding changes. The GARVEE program will address improvements that are needed now, but long-term transportation funding is still needed to address the backlog and other projected needs.

Forum on Transportation Investment

One of the first steps in charting the course of the future for Idaho's transportation system is to determine the nature of the needs facing the state. The forum engaged in an effort that included all jurisdictions charged with responsibility for transportation facilities and queried them as to their projected needs into the future. This is a summary of that effort.

SURFACE TRANSPORTATION CAPITAL IMPROVEMENT (2005-2035) — FINAL REPORT (See Appendix E, Presentations)

Dwight Bower, Sr. VP, H.W. Lochner (See Appendix E, Presentations)

Prior to the April 28, 2005 FTI meeting, H. W. Lochner, the consultant for the forum, requested that the six districts of the Idaho Transportation Department coordinate with the local jurisdictions and public transit providers to collect information about projected surface transportation capital improvements to 2035.

Requested Projected Surface Transportation Capital Improvement Needs to 2035

Lochner requested that the six (6) Idaho Transportation Department Districts:

- **Coordinate** collection of data of projected needs with **Local Road Entities, Metropolitan Planning Organizations, and Public Transit Providers.**
- **Focus on identified/predicted improvement needs** of existing facilities, plus needs on new alignments to meet growth and change.
- **Do not include maintenance/operating/administrative costs or minor surface improvements/resurfacing.**
- **Estimate costs using current 2005 dollars.**
- **Do not use fiscal constraints, prioritization, or other filters** to influence the listing.
- **Compile Surface Transportation Capital Improvement Needs on separate worksheets for interstates, state highways, local road entities-metropolitan planning organization, city, county, and highway district, and public transit.**
- **Summarize** the District's 30-Year Capital Improvement Needs **Total Costs** based on the listings that are generated.

2

Final Report-HW Lochner

Figure 8: Capital Improvement presentation-slide #2

Forum on Transportation Investment

The data was to focus on identified or predicted surface transportation improvements; not include maintenance or minor surface improvements. All estimated costs would be done using current (2005) dollars.

H. W. Lochner did not rate any of the data, projects, or costs that were generated. Forum members were asked to review the information and if there were errors or additional information, the report would be revised as needed. Additional information totaled \$220,922,000; no deletions were submitted.

The final statewide surface transportation total was over \$20 billion (in 2005 dollars). The final report of *Idaho's Surface Transportation Capital Improvement Needs (2005-2035)* was accepted by the forum members at the September 13, 2005, meeting.

The data collected in the final report revealed:

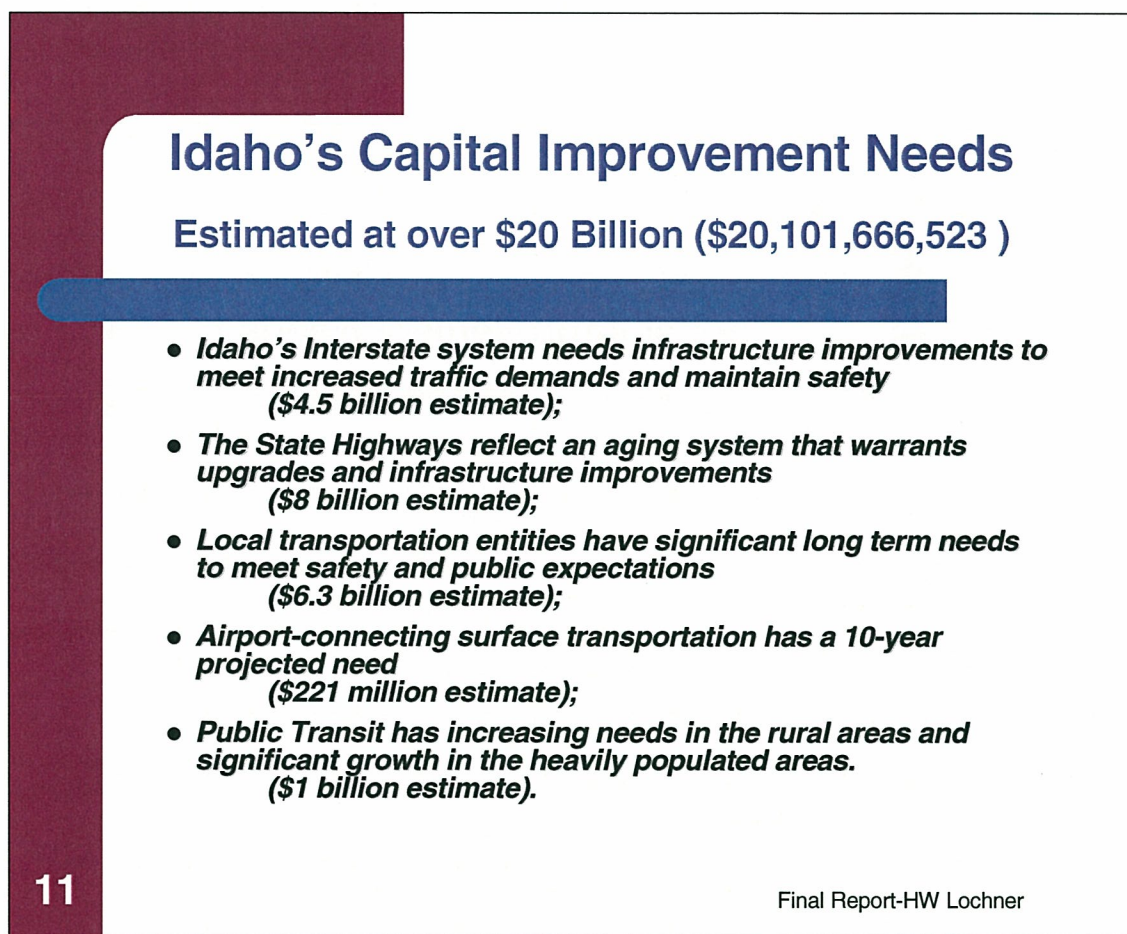


Figure 9: Capital Improvement presentation-slide #11

Forum on Transportation Investment

The capital improvement needs report represents an informed compilation of Idaho's future needs and is a listing of capital improvement projects that would be considered important during the next 30 years. The projects will have to meet project requirements and approvals to be built. The data is a current vision of surface transportation needs from transportation providers. Thirty years into the future is visionary and difficult to predict. The data gathered is a strong statement about what the future holds for Idaho's transportation as envisioned by the very individuals and organizations that manage those services.

Forum on Transportation Investment

A series of presentations was offered to the forum to educate and inform the members about significant issues, concerns, and activities going on within the local jurisdictions. The following reports reflect the major points of these presentations:

REGIONAL NEEDS PERSPECTIVE

Matt Stoll, COMPASS (Community Planning Association of Southwest Idaho) (See Appendix E, Presentations)

One-half (1/2) of Idaho's population growth is predicted to be in Ada and Canyon Counties.

The Treasure Valley area recognizes the need for coordinated, valley-wide systems of land development and transportation, which prompted two planning initiatives.

COMPASS is currently working on *Communities in Motion*, a 25-year, six-county transportation plan, and *Blueprint for Good Growth*, a land use plan with strategies for shared growth.

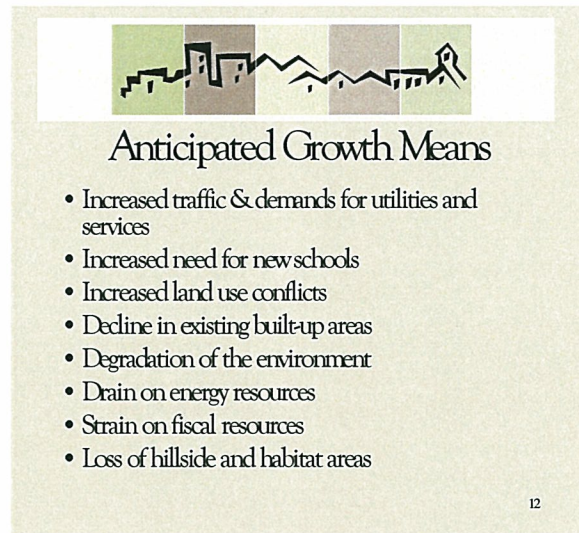


Figure 10: Matt Stoll presentation-slide #12

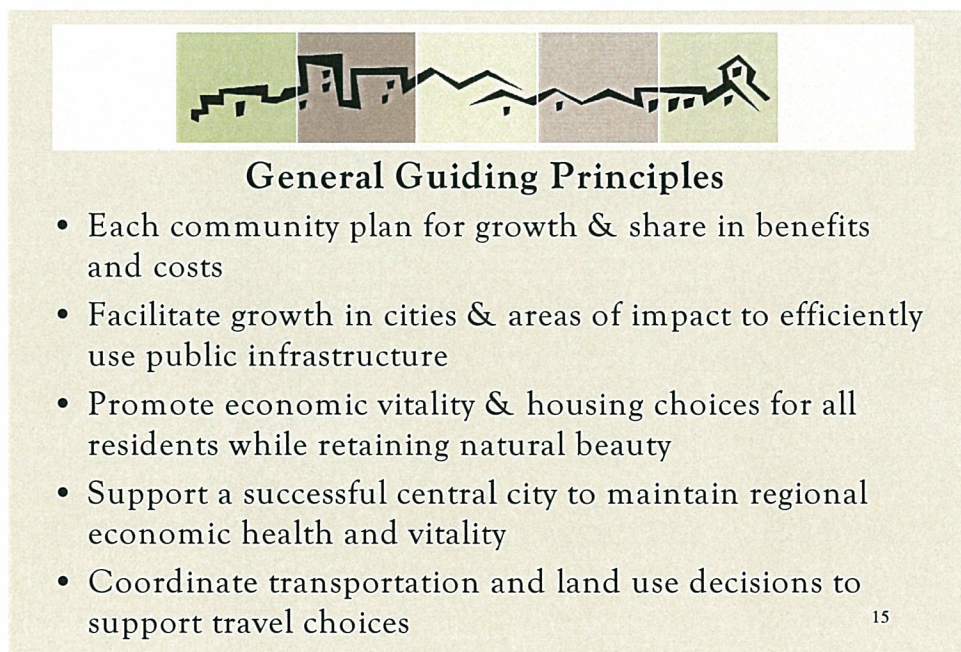


Figure 11: Matt Stoll presentation-slide #15

H.W. Lochner/Tom Warne and Associates

Forum on Transportation Investment

Treasure Valley residents have voiced a desire to protect prime farmland from urban development; recognize floodplains when establishing land use; maintain hillsides and other recreational open spaces; shield open water and surrounding lands from housing developments; and guard the Birds of Prey area from encroachment.

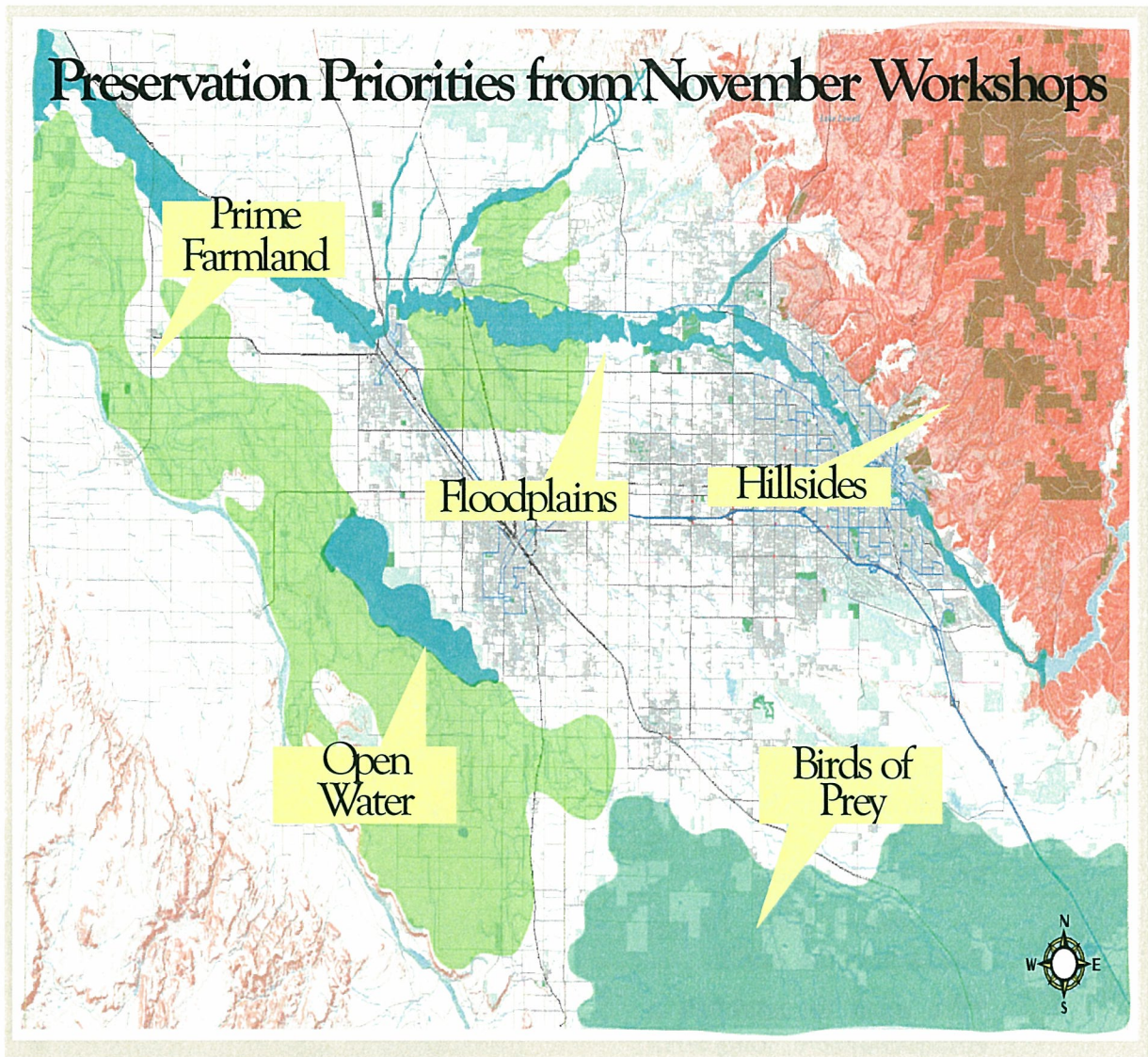


Figure 12: Matt Stoll presentation-slide #16

Forum on Transportation Investment

LOCAL TRANSPORTATION SYSTEM

Joe Haynes, Local Highway Technical Assistance Council (See Appendix E, Presentations)

A detailed summary of the local transportation system and the entities that manage that network was provided to the forum. It was noted that:

- The 288 local jurisdictions employ 1,820 people.
- The local system has 33,250 centerline miles of roadways; 2,283 bridges; and 1,275 railroad crossings.
- Local jurisdictions experience a 300-mile increase each year.
- Only 5,366 centerline miles of the local jurisdiction system is eligible for federal funds.

When reviewing the funding from the Highway Distribution Account, the local jurisdictions are under-funded to meet the standard cost responsibility of 70% user funding/30% non-user funding. They are currently operating at 46% user/54% non-user. This funding shortfall is a critical problem. With this year's 7% increase for fuel, materials, etc., the local jurisdictions are far beyond their funding abilities to meet projected needs.

To quote Bill Henry, President of the ASCE:

“We need to establish a comprehensive, long term infrastructure plan as opposed to our current patch and pray method.”

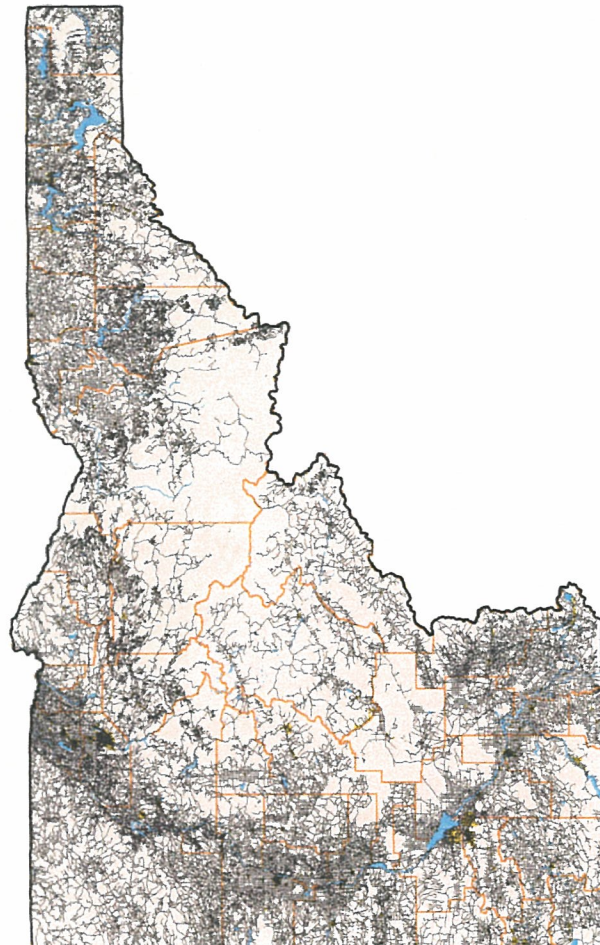


Figure 13: Joe Haynes presentation-local roads system-map #2

Forum on Transportation Investment

Transit is a mode with growing public interest both in Idaho as well as across the nation. Rick Krochalis offered the forum his views from the Federal Transit Administration's perspective on the current and future state of transit systems.

VISION OF PUBLIC TRANSIT

Rick Krochalis, Region Administrator, Federal Transit Administration
(See Appendix E, Presentations)

The vision for public transit is quality service that responds to community needs, uses appropriate technology, partners when possible, is financially accountable, and is supported by public and elected officials. In the past public transportation has suffered image problems, but driving personal vehicles is increasingly expensive and more people want and need transportation choices.

Idaho needs to break out of the status-quo for public transportation. The current public transportation program is severely limited due to a lack of dedicated sources of revenue. Nationwide, revenue sources are very limited for transit providers, although the federal reauthorization bill (SAFETEA-LU) includes some new funding methods.

An Executive Order by President Bush requires federal agencies to consolidate, coordinate, and be cost efficient in their human services transportation.

Choices are difficult and costly, but there is a compelling need for an integral public transportation program to preserve Idaho's quality of life. Dedicated state funding, local tax options, etc., must be identified to properly address public transportation's future challenges.

Idaho's Survey Results on Transit

- Public Transportation is seen as a significant weakness in ID
- Causes of Transportation Problems:
 - Lack of options (61%)
 - Insufficient Public Transportation (58%)
 - Number of New Residents (57%)
 - Using Public Transportation "very difficult" (47%) or "difficult" (22%)

Figure 14: Vision of Public Transit-Rick Krochalis-slide #9

PUBLIC TRANSPORTATION IN IDAHO

Mary Barker, Community Transportation Association of Idaho (CTAI) (See Appendix E, Presentations)

Public transportation is about options to use other transportation besides a personal vehicle. It is part of the mix for a healthy transportation infrastructure. The benefits of public transportation are widespread and yes, it can work. A recent survey showed that Idahoans are ready to use public transportation when it is available.

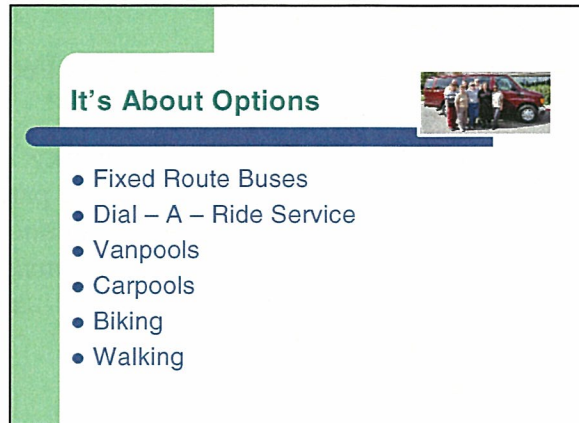


Figure 15: Mary Barker presentation-slide #2

Unfortunately, with no dedicated state funding and very limited provisions for local funding, Idaho's public transit providers are seriously limited in the services that they can provide. Funding remains the key to a stable public transportation program.

Additionally, Idaho's transit providers are not able to use all of the currently allocated federal revenue because the providers do not have matching funds. Idaho Falls had available \$1.2 million, but could only use \$330,000 due to this limitation.

The Idaho statewide *Public Transportation Needs and Benefits Study* (April 1997) developed recommendations for policy, planning and programming, governance, coordination, service, funding, and benefits. (See Appendix G for summary.) Additionally, the 2004 Legislative Interim Committee recommended that the legislature codify statewide public transportation policy and address a long-range plan for funding. Idaho cannot afford to continue to ignore public transportation. Consistent funding for public transportation is the key to establishing a program that meets Idaho's needs.

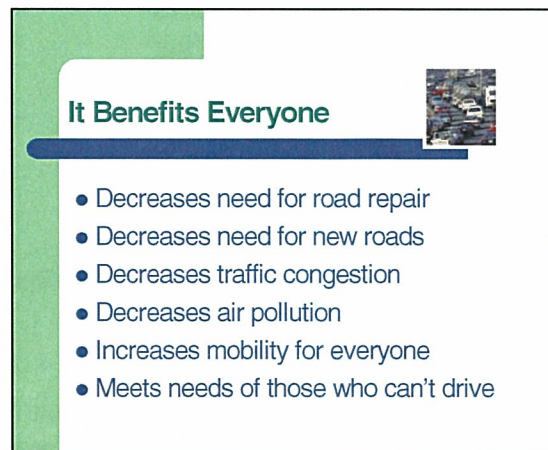


Figure 16: Mary Barker presentation-slide #3

RAILROAD 101 – RAIL FREIGHT ISSUES/OPPORTUNITIES

Ed Mc Kechnie, VP of Operations/Strategic Planning, WATCO Companies
(See Appendix E, Presentations)

Freight transportation remains strong and railroads are working to improve their system. Idaho's rail network has a limited number of miles, faces natural barriers and other limitations. The system is static in that it would be extremely difficult and expensive to purchase rail right-of-way or lay new track.

Rail transportation, both within Idaho and those systems that are national in nature are important contributors to the nation's freight mobility system as well as the overall economy. That said, there is a critical need to further invest in rail infrastructure in ways that are relatively modest, but which would result in substantial benefits to the overall transportation system of the state. Some states already use their transportation dollars to shore up their rail lines and Idaho could do the same.

Idaho should take steps toward investing in the state's rail and other freight infrastructure through funding and other incentives.

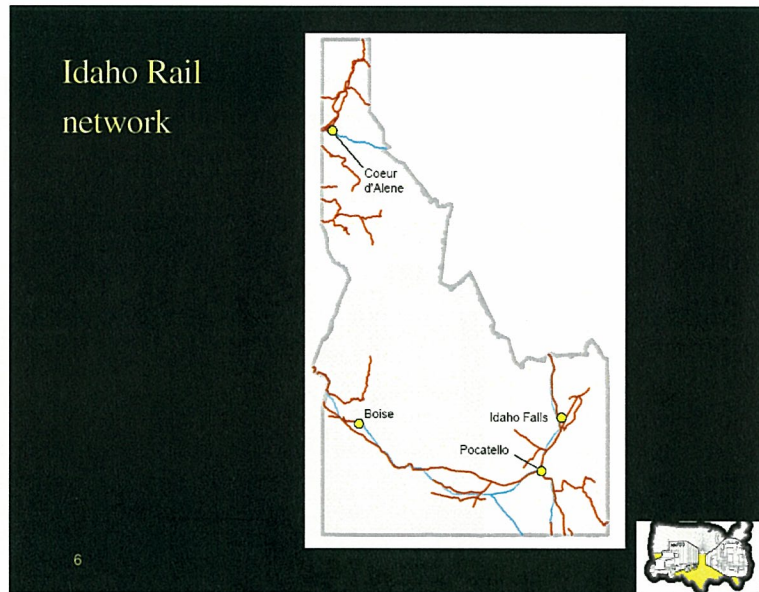


Figure 17: Railroad 101 presentation-slide #6

Public Policy Discussion

- Idaho has done background work
 - Idaho Rail Plan
 - Idaho Rail Preservation Act
 - Intermodal Commerce Authorities
- What is needed is:
 - Limited funding
 - Analysis of work

18

Figure 18: Railroad 101 presentation-slide #18

CURRENT TRANSPORTATION REVENUE IN IDAHO

The forum members spent considerable time in their review of current revenue streams for transportation in Idaho. Clearly, it was the feeling of the members that existing funding sources should be optimized before seeking additional sources of money for critical projects. To this end, a number of the presentations to the forum focused on these current federal, state and local revenue sources.

FEDERAL REVENUE (See Appendix E, Presentations)

Steve Moreno, Idaho Division Administrator, Federal Highway Administration

Given that much of Idaho's infrastructure has been funded by federal monies, it was important to understand how this critical element of the overall funding works for the state. The federal revenue for the Highway Trust Fund (HTF) comes largely from fuel tax (90% – \$29 billion). The projected annual growth for the Highway Trust Fund is 3.2%.

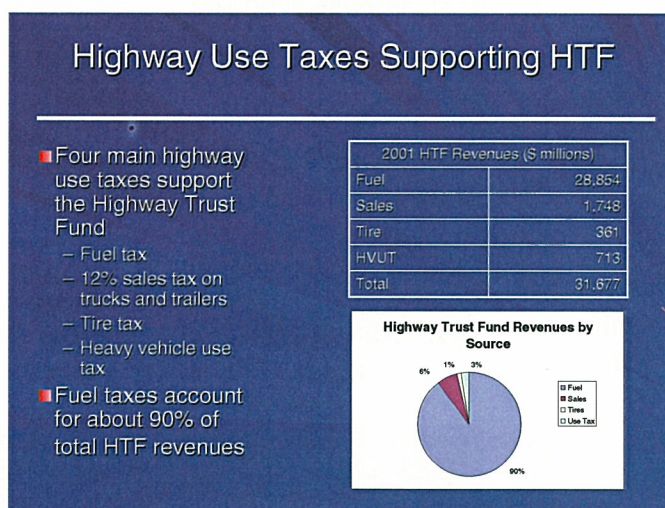


Figure 19: Federal Revenue presentation-Steve Moreno-slide #2

In 2002, the Federal Highway Administration's (FHWA) Conditions and Performance Report estimated that \$75.9 billion was needed to **maintain** highways and bridges in their current condition and that \$106.9 billion was needed to **improve** the current system. Transit estimated their needs to be \$14.8 billion to **maintain** and \$20.6 billion to **improve** the current system.

These anticipated transportation investment costs for the nation's infrastructure far exceed the \$29 billion that was collected in fiscal year 2001. It should also be noted that over the years the share of federal money contributing to the overall investment in transportation facilities has been reduced considerably. Whereas 20 years ago federal funds provided nearly 80-90% of the funding for projects across the country, today federal revenue only funds about 25% of the total transportation expenditures; with state and local agencies paying the remainder.

H.W. Lochner/Tom Warne and Associates

Forum on Transportation Investment

SAFETEA-LU (Safe, Accountable, Flexible, Efficient Transportation Equity Act – A Legacy for Users) REAUTHORIZATION

Dwight Bower, Sr. Vice President, H W Lochner (See Appendix E, Presentations)

During the course of the forum meetings, Congress was wrestling with the reauthorization of the federal highway act. Having expired in 2003, the challenges facing both the executive and legislative branches of the federal government to deal with transportation in context with the many other national and international priorities proved very difficult. Finally, in August of 2005 a bill was signed by the President and became law, nearly two years after its predecessor expired. While not everyone was happy with all the provisions of the new bill, a measure of certainty relating to transportation finance was once again restored for state and local governments.

National Funding Levels

Policy Recommendation	SAFETEA-LU
At Least \$300B Overall	\$295B Contract Authority \$286.5B Guaranteed
At Least \$245B Highways	\$241B Authorized
At Least \$55B Transit	\$52.6B Authorized

Figure 20: SAFETEA-LU Reauthorization-slide #2

SAFETEA-LU authorized an average increase of 30.32% in overall funding. Contract authority now has a guaranteed amount of \$286.5 billion. Some key features of the new highway bill are as follows:

- Core programs now include funding for safety.
- Earmarked projects of national and regional significance, TIPs, etc., are eligible for 9.7% and New Programs are eligible for 0.37% funding.
- Congress recognized that the funding for the Highway Trust Fund is decreasing and that new approaches to transportation finance are needed at the national level. Two commissions were established to examine the future of the Highway Trust Fund and revenue options.
- Design-build restrictions were removed.
- Bridge preservation is now eligible for repair funding.

Forum on Transportation Investment

In addition, other important points to note about the provisions of SAFETEA-LU include:

- Transit funding at the national level saw increases in many programs.
- The local 20% match was retained for transit projects.
- There was an 85% increase in 5311 Funds (rural area transit). Idaho's transit program could see as much as a 200% increase in some programs.
- The National Highway Safety Program's focus will require that each state have an operational Comprehensive Highway Safety Plan by 2007 and allowed greater funding flexibility.
- The Rural Road Safety program was included and is especially important as it recognizes that 2-lane/rural roads have 2½ to 3 times the fatality rate.

As passed, SAFETEA-LU provided Idaho with many benefits to their funding circumstance. The state's average annual apportionment is estimated at \$271 million under the bill and a list of High Priority Projects (\$158,062,000) was also funded.

Forum on Transportation Investment

Understanding the nature of Idaho’s transportation funding picture was an important discussion for the forum participants. The following summary of that discussion provides insight into how the funds are collected and where they are allocated throughout the state.

STATE REVENUE

Pam Lowe, Idaho Transportation Department (See Appendix E, Presentations)

Idaho's largest transportation funding source is the State Highway User's Tax on motor fuel, which was at \$321.4 million in 2004. The State Highway User's Tax (\$321 million) is then distributed: 5% (\$15.5 million) to Idaho State Police, 38% (\$118 million) to Local Highway Jurisdictions, and 57% (\$177 million) to Idaho Transportation Department. The chart below offers a graphical demonstration of the collection and distribution process.

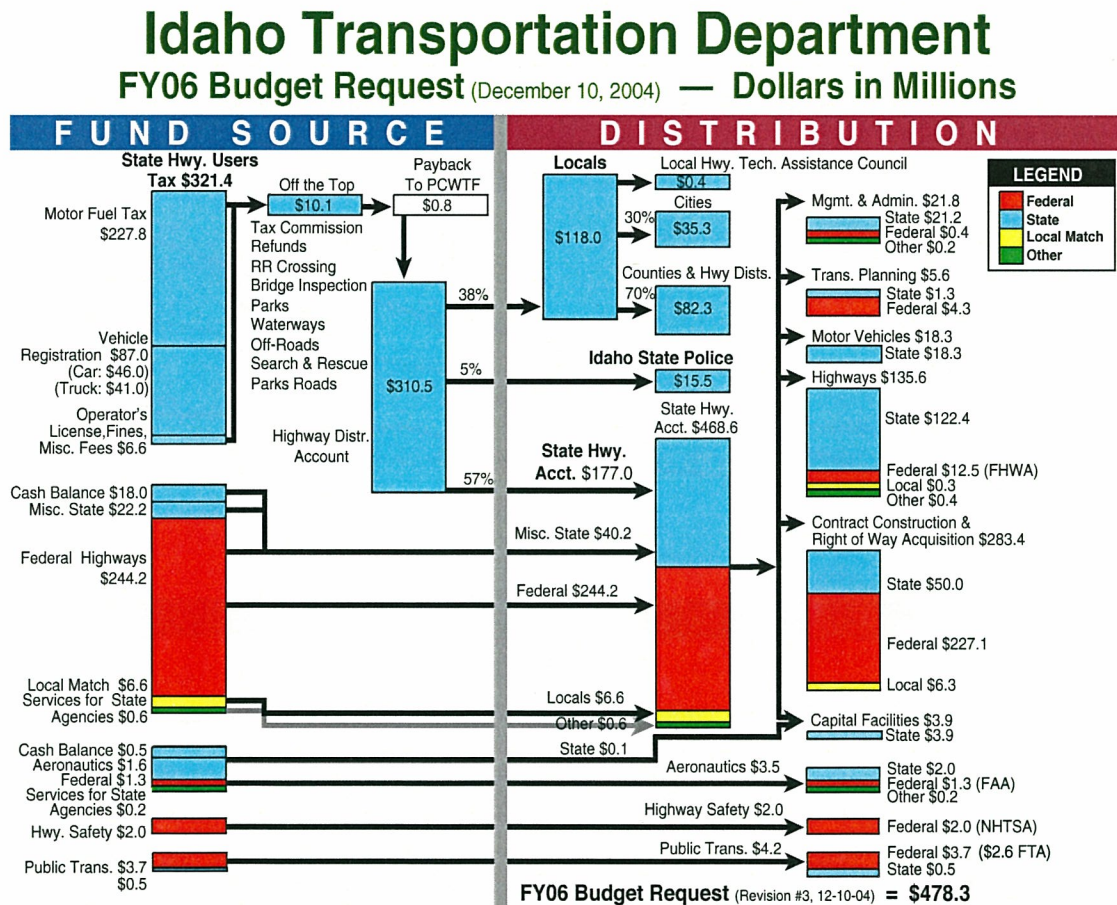


Figure 21: State Revenue-Pam Lowe-slide #2

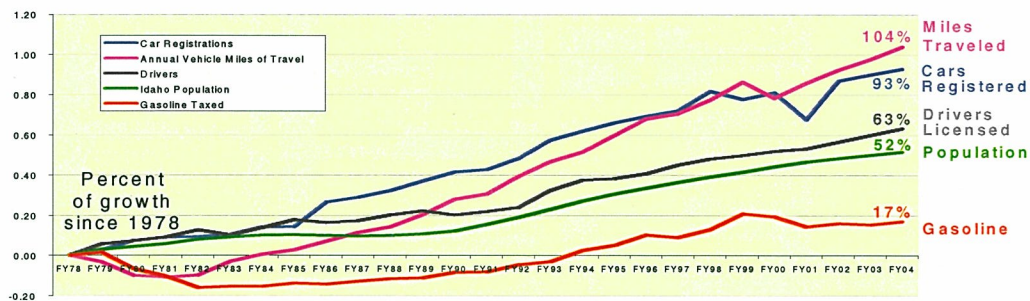
Forum on Transportation Investment

Idaho's federal revenue, as of December 2004, was apportioned at \$244.2 million, which gives the Idaho Transportation Department a total of \$468.8 million per year to expend on the state's transportation infrastructure. Of this total, approximately \$419 million is used for highway maintenance and operations (\$135.6 million) and contract construction and right of way acquisition (\$283.4 million). Public transportation receives \$4.2 million primarily in federal funding in grants to buy/replace buses. Aeronautics receives \$3.5 million in revenues of which \$1.6 million is from federal sources and the remainder is generated from the \$.045 per gallon jet fuel tax, \$.055 per gallon aviation fuel tax, and airmen/aircraft registrations. The revenues are primarily used for system planning and issuing airport improvement project grants.

Other trends are the relative growth rates of various factors. For example, since 1978, Idaho's population increased 52%, licensed drivers increased 63%, registered cars increased 93%, while vehicle miles traveled increased 104%, and gas consumption increased only 17%.

ITD Trend Indicators

(Indexed Growth, Base Year 1978)



ITD Funding Sources

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Figure 22: State Revenue-Pam Lowe-slide #22

The Idaho Transportation Department recognizes the need for improvements statewide and is endeavoring to deliver projects accordingly. Funding remains the limiting factor. Idaho's transportation needs are far outpacing revenue generation. Changes must be made.

Forum on Transportation Investment

No discussion of transportation funding would be complete without considering the needs of local governments as they attempt to address transportation needs. In order for the forum to fully appreciate this aspect of Idaho's transportation picture, a variety of presentations were offered that provided insights into this sector of transportation needs.

LOCAL REVENUE

Byron Keely, Local Highways Technical Assistance Council (See Appendix E, Presentations)

In Idaho, there are 288 local highway jurisdictions – 191 cities, 33 counties, and 64 highway districts. The total mileage of local roads within these jurisdictions has increased by 14% (3,962 miles) from 1990 to 2003. The local jurisdictions also oversee 2,283 bridges and 1,275 railroad crossings. Additionally, 45% of all vehicle miles traveled are on the local road system.

Every year, the 288 jurisdictions receive an approximate total of \$246 million from all sources to fund their programs. Expenditures include:

Expenditures	2002
Administration (9.5%)	\$ 23,407,993
Maintenance (46.8%)	\$115,252,235
Construction & Rehabilitation (42.9%)	\$105,663,450
All Expenditures (99.2%)	\$244,323,678

Local jurisdictions also qualify for about \$25.9 million of federal funding for construction, broken down as follows:

Federal-aid (approximate)	2002
Rural	\$ 8,816,000
Urban	\$10,162,000
Bridge	\$ 3,960,000
Bridge – off federal-aid system	\$ 2,974,000
Total	\$25,912,000

The forum found that any solution to transportation funding that doesn't address the needs of local jurisdictions will fall woefully short of generating needed revenue for Idaho's local transportation system.

NATIONAL TRANSPORTATION REVENUE SHORTFALL

The transportation finance challenge facing Idaho transcends the local and state concerns. In fact, funding at the national level through the Highway Trust Fund is a source of increasing concern. During the forum meetings it was imperative that the members understood the true state of the Highway Trust Fund. This section summarizes the information provided on this topic to the forum members.

NATIONAL TRANSPORTATION REVENUE PERSPECTIVE

John Horsley, Executive Director, American Association of State Highway and Transportation Officials (AASHTO) (See Appendix E, Presentations)

During the 70s and 80s the interstate system was a national funding priority. Throughout the country during that period there was a strong consensus that there needed to be a world class interstate system augmented with a good arterial system to establish basic, functional transportation infrastructures. Since then, there have been a whole series of challenges that have come along (multi-modal, environmental, funding, etc.) and the consensus for a unified transportation system has broken down.

The #1 goal of AASHTO's strategic plan is to ***“Re-establish Transportation as a National Priority.”*** AASHTO's objective is to inform its constituents of how very important a good, functional transportation system is.

Recent statistics show Idaho and the Intermountain West is the fastest growing region in the country. Idaho ranks as the 3rd fastest growing state in the U.S., while Boise ranks as the 7th fastest growing metropolitan area. While U.S. population increased 55%, highway travel grew by 300%. Trucking volumes doubled in the last 20 years and are expected to double again over the next 20 years. It is no wonder congestion is so bad, since highway capacity has increased only 5% during this same period. Idaho is poised for tremendous growth and unfortunately, the consequential growth in highway congestion.

International trade's gross domestic product (GDP) was at 13% in 1990 and increased to 24% in 2000, and is expected to increase to 35% by 2020. Whether that freight is moved by truck, rail, or Columbia and Snake River inland barges, it takes money and capacity to do the job.

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The inland waters system and the rails are struggling. There hasn't been an adequate level of investment in the locks, and the railroads can't generate enough revenue to rejuvenate their systems. If those folks can't move their share of freight, then by default the freight moves to the highway systems.

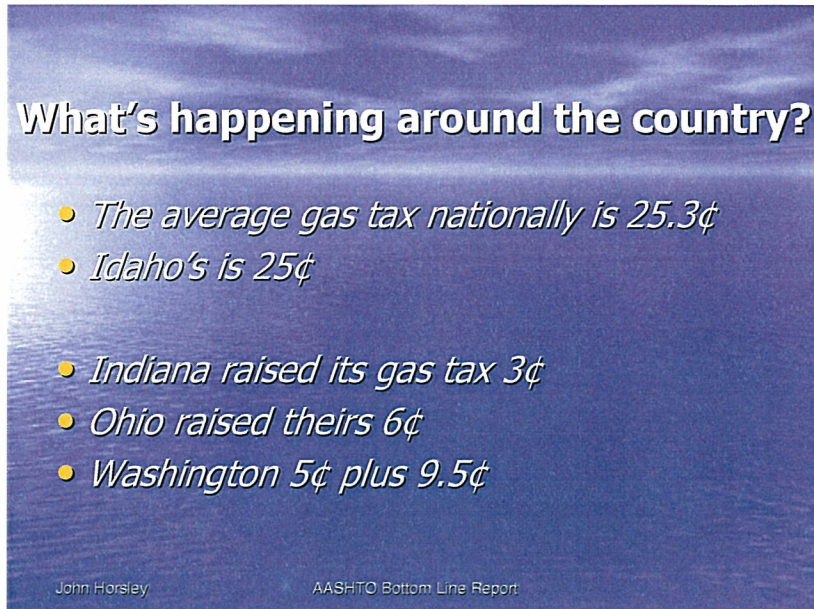


Figure 23: National Revenue Perspective-slide #4

Another challenge is that we see is an increasing public demand for fully-functional transit systems, especially in the metropolitan areas. As the elderly retire in place (the over-65 population will double), Idaho will face an increasing demand for services. The funding source decisions for transit will become a much larger issue as this century progresses.



Figure 24: National Revenue Perspective-slide #5

H.W. Lochner/Tom Warne and Associates

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AASHTO's *Bottom Line Report* analysis showed:

ANNUAL TRANSPORTATION INFRASTRUCTURE INVESTMENT NEED		
All levels of Government	MAINTAIN * Conditions & Performance Scenario	IMPROVE ** Conditions & Performance Scenario
Highways and Bridges	\$92.0 billion	\$125.6 billion
Transit	\$18.9 billion	\$43.9 billion

* *Maintain scenario -- hold user costs constant, assure no increase in delay, maintain system physical condition, and prevent further degradation.*

** *Improve scenario -- economically justifiable investments, improve pavement condition, increase average speeds, reduce delay, and reduce user cost.*

Three trends that are going to effect us into the future:

- 1. Job outsourcing is real and is a threat to our core economy.*
- 2. The trend is to a high-tech information services economy that requires skilled employees.*
- 3. A trend is hybrid vehicles/alternative fuels and the timing of how this issue will affect transportation and erode fuel tax revenue.*

John Horsley

AASHTO Bottom Line Report

Figure 25: National Revenue Perspective-slide #6

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FUTURE OF HIGHWAY AND PUBLIC TRANSPORTATION FINANCE – Study for U.S. Chamber of Commerce/National Chamber Foundation

Gary Maring, Senior Associate, Cambridge Systematics (See Appendix E, Presentations)

Gary Maring has more than 35 years of experience in transportation policy, planning, financing, economic, ITS, freight, and intermodal transportation issues and is an expert in federal finance and Highway Trust Fund revenue issues. His perspective of the state of the national Highway Trust Fund is illuminating. For the forum, he shared the results of a study his firm performed for the U.S. Chamber of Commerce to identify funding mechanisms to meet national surface transportation investment needs for the next 25 years. Phase 1 of the study identified short-term funding options out to 2015; and Phase 2 will assess longer-term strategies to 2030.

The Phase 1 findings are as follows.

#1 Finding – There is a National Funding Gap.

Current transportation revenue at all levels—federal, state, local—is not sufficient, with an estimated gap of \$38 billion to maintain and \$92 billion needed to improve the transportation system.

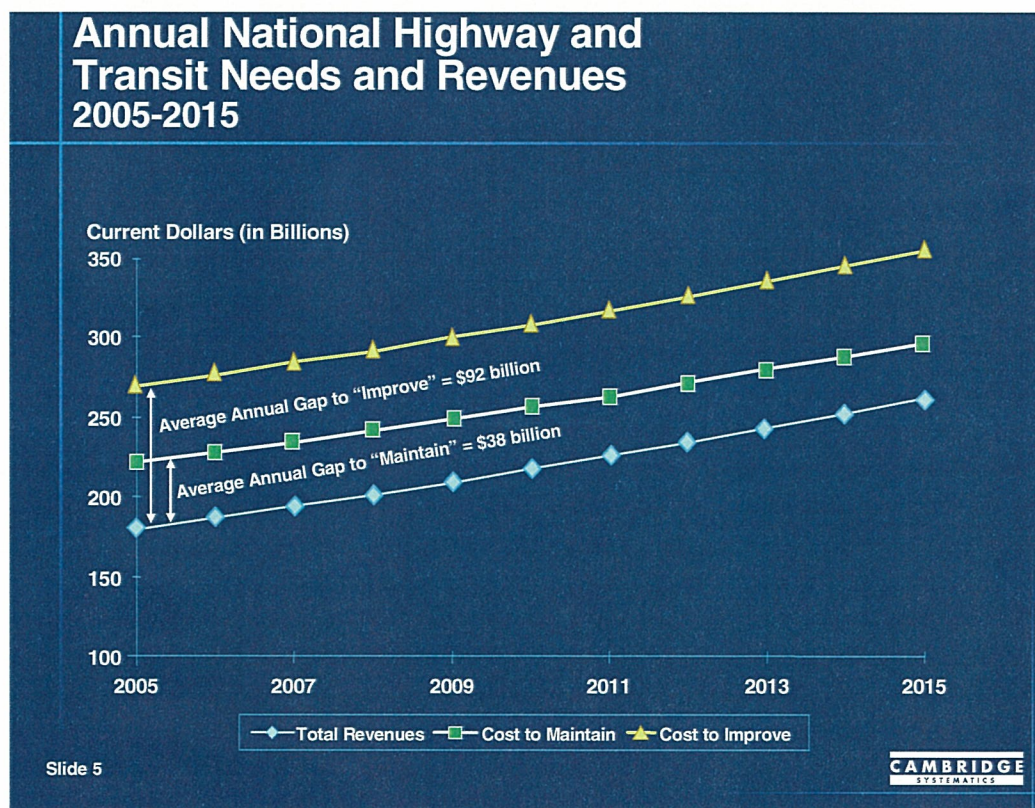


Figure 26: Gary Maring presentation-slide #5

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#2 Finding – There is a Federal Funding Gap.

The existing revenue streams to the Highway Trust Fund are falling short of meeting the federal share. The prediction for the next 11 years is that the shortfall will be \$415 billion to maintain and \$1 trillion to improve.

#3 Finding – The Highway Trust Fund will go into a deficit by FY2010 if additional funds are not raised.

If the shortfall continues in national funding, the Highway Trust Fund will have depleted all money reserves and will be deficit by FY2010.

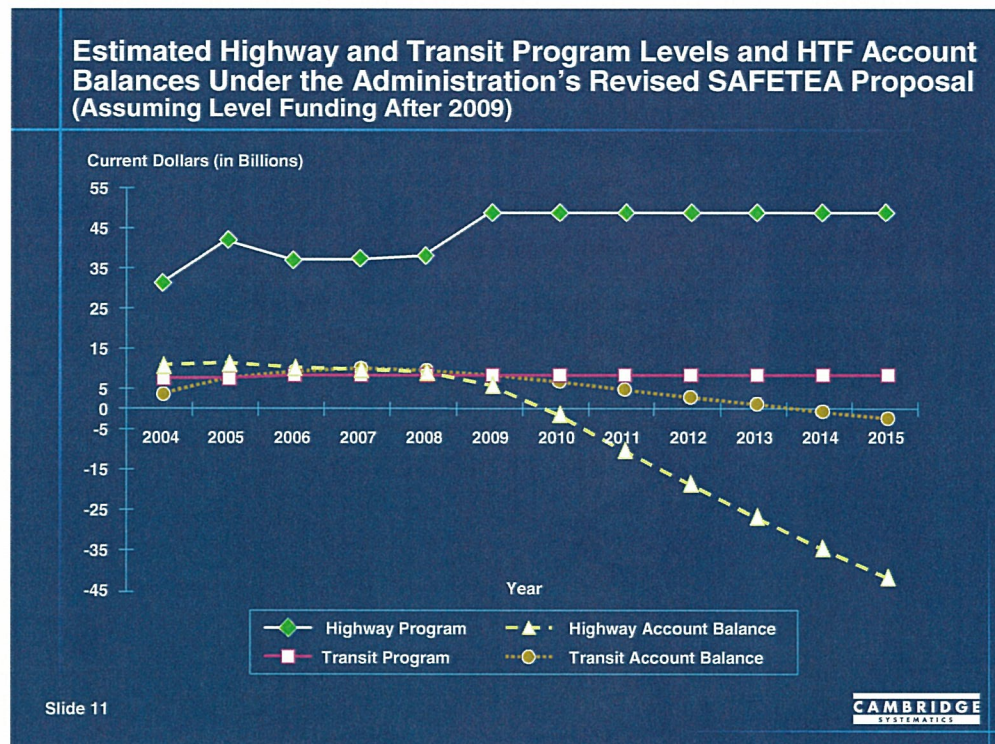


Figure 27: Gary Maring presentation-slide #11

#4 Finding – Short-Term Solutions.

Indexing the federal motor fuel tax would have the most immediate and substantial impact on the revenue shortfall. Other revenue and financing tools i.e., eliminate user fee exemptions, tolling, tax credit bonding, could also have a modest impact. These solutions would only generate about 70% of what is needed to fund the national gap.

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The Phase 2 portion of the study recognizes that a fuel tax-based revenue stream will become increasingly more vulnerable sometime around FY2010. Numerous alternatives must be considered to meet the future transportation needs. The study continues to explore other revenue options and will report on these later. The federal government will act to maintain the Highway Trust Fund; but how, when, and where the revenue comes from has not been determined.

Summary

- **Current transportation revenues at all levels of government are not sufficient to maintain or improve the nation's highway and transit systems**
- **The Highway Trust Fund could be in deficit starting as early as 2010**
- **Short-term funding mechanisms, particularly indexing motor fuel taxes, could help to significantly narrow the revenue gap**
- **However, none of the short-term strategies will sustain the nation's highway and transit systems long term. New strategies will be needed. These will be addressed in Phase II of the National Chamber Foundation's study**

Slide 18

CAMBRIDGE
SYSTEMATICS

Figure 28: Gary Maring presentation-slide #18

Forum on Transportation Investment

Among the many groups studying the nature of the U.S. transportation problem are groups like the Hudson Institute who have fundamental policy interests in the mobility future of the country. A summary of Hudson's recent report was provided for forum members and added to their depth of understanding of this critical issue.

2010 AND BEYOND – A VISION OF AMERICA'S TRANSPORTATION FUTURE

published by the Hudson Institute Fulfillment Center, PO Box 1020, Noblesville, IN 46061,
ph 888/554-1325, online bookstore: <http://www.hudson.org>

Tom Warne, Tom Warne and Associates, Contributor/Project Manager
(See Appendix E, Presentations)

The Hudson Institute is a conservative think-tank organization that produces work on social issues in education and other areas of national concern. The purpose of the *2010 and Beyond* project was: "To produce a defining policy document on the future of transportation from which public and private sector leaders will be able to chart our nation's course in this critical area."

The report was primarily developed by the following contributors whose principal findings are noted below:

- 21st Century Transportation Finance-Cambridge Systematics, Lance Grenzeback

The nation's current revenue mechanisms are inadequate to meet needs, both to maintain and improve. Suggested mid-term solutions are 1) increase and index motor fuel tax, 2) increase tolling, and 3) issue tax credit bonds. Long-term solution is to develop and institute a vehicle mileage-based program. The report also points out that even if all currently proposed strategies are implemented, a funding gap remains. By FY2010 the Highway Trust Fund balance is predicted to go to zero.

- 21st Century Freight Mobility-ICF Consulting, Sergio Ostria

Trucking remains the work horse for freight mobility. One finding noted is that if the U.S. doesn't invest in rail freight movement, trucking by default will move the freight on our highway system. The West Coast ports continue to have increasing traffic demands as imports from the Pacific are flowing into the United States. Wal-Mart is China's 5th largest trading partner spending \$15 billion on Chinese-made products in 2003. Although air freight is predicted to grow by 4%, the tonnage moved remains relatively small. Factors that could impact freight mobility are: 1) widening of the Panama Canal would shift port traffic to the East coast, 2) continued "explosive" growth in the Chinese economy, 3) "second wave" of the IT/Internet revolution, and 4) system disruptions.

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- Transportation, Technology and the 21st Century Vehicle-Weiland Consulting Company, Rick Weiland

A host of concerns ranging from privacy issues to cost and incentives continue to slow vehicle technology implementation. Safety devices and computer technologies are possible, but the consumer expects systems that not only provide a safety benefit, but which also contribute to their quality of life while traveling by offering entertainment and other amenities.

- Technology Implications for 21st Century Transportation Systems-Delcan, Richard Mudge

In the future there will be an important linkage between the vehicle and the transportation system - highway, railroad, etc. This will be accomplished through a communications backbone which will facilitate vehicle-to-vehicle and vehicle-to-roadway exchanges of data. Global economy requirements must be kept in mind.

- Transportation and the Global Economy-Hudson Institute, Irwin Stelzar

Transportation is the competitive factor in market pricing. World trade and the internet have changed people's expectations. Transportation's role in supply-chain economics is extremely important. Therefore, it is extremely important that the United States have an effective transportation system for people and goods.

- Transit Futures-Jeffrey A. Parker & Associates, Jeff Parker

Transit funding should be reliable and robust. In addition all transportation modes must work as one. Mobility management is a concept wherein the modes work together in a seamless manner offering the consumer choices based on performance of the system as well as on price. In this environment one ticket may be used to travel on several modes including air, transit and automobile.

- 21st Century Demographic Influences on Transportation-Hudson Institute, Herb London

U.S. population is predicted to be 553 million by 2050, with most growth coming from immigration. Additionally, the nation's population is aging with some 26% over the age of 60 by 2050.

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The Hudson Institute report developed four (4) policy issues:
(See Appendix F, Handouts)

Policy Issue #1 – Transportation Finance.

Transportation investments must be funded from a comprehensive set of revenue choices that are sustainable and reflect consumer choice. Net-new revenues must be found that are sustainable and reliable.

Policy Issue #2 – Mobility Management.

The United States must establish a transportation system where all modes operate as one in a Mobility Management environment.

Policy Issue #3 – Technology Deployment.

The United States must advance the rapid deployment of technology in all aspects of its transportation system to achieve optimal safety, security, and operational benefits into the future. Congress must address tort liability to encourage development and usage of new safety features (i.e., variable cruise control).

Policy Issue #4 – Freight Systems.

Establish freight transportation systems, including highway, rail, ports, river, and air, as critical interrelated components contributing to our nation's role in the global economy. State freight programs are needed to address multi-modality uses.

Forum on Transportation Investment

IDAHO'S TRANSPORTATION REVENUE SHORTFALL

IDAHO FUEL TAX, FEDERAL FUNDING, AND REGRESSION CONSIDERATIONS

Jim Kempton, Chairman, Forum on Transportation Investment

CHAIRMAN'S PERSPECTIVE

The information below is provided for use by forum members and represents only the perspective of the Chairman as the information may be of value in consideration of final recommendations to the Idaho Transportation Board. Much of the information was presented in introductory presentations at the beginning of Meetings #3 through #7, but not in a format that was easily assimilated from meeting to meeting. Information developed for those meetings focused on revenue collections/expenditures over the past decade. At the same time the forum investigated related issues identified in the objectives for each meeting. There was little text to tie data tables, charts and narrative together. This section of the Forum on Transportation Investment Final Report attempts to tie those presentations together and provide textual continuity in the message that individual forum members take from the effort.

EXECUTIVE OVERVIEW

Background

Separate from property tax revenue and limited local option taxes to "local highway jurisdictions" (cities, counties, and highway districts), Idaho has two primary revenue sources for transportation – the federal fuel tax and the State Highway Distribution Account; the latter to include state fuel taxes, truck fees, and vehicle registration fees. Idaho's federal-aid apportionments from the federal fuel tax currently represent approximately 53% of total revenue to the Idaho Transportation Department, with state revenue providing the other 47%. Federal funds to Idaho have grown substantially over the last two re-authorization acts – from \$1.273 billion (6-year total) under TEA-21 to \$1.630 billion under the new act (SAFETEA-LU); a 27% increase. Historically, Idaho is a "donee" state – that is, Idaho has received more in federal-aid funds than Idaho vehicle operators have paid into the Federal Highway Trust Fund (HTF). In FY2003 (the latest available data) Idaho received \$1.43 back for every dollar paid into the Highway Trust Fund. From 1956 to 2003, Idaho received \$1.64 for every dollar paid into the Fund.

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Although Idaho is a beneficiary of federal transportation funding, the increased amount of funding under SAFETEA-LU (FY2005-FY2009) is not the full story. In actuality, the rate of increase in federal transportation funding to Idaho for the period FY2005–FY2009 is less than the rate of increase during the period FY1996-FY2004 (Figure 34, page 74). This decrease in the rate of federal funding increases to Idaho will reduce the rate of increase of federal funding historically available (FY1996-FY2004) to supplant construction revenue otherwise provided through the collection of state transportation taxes and fees. The increased use of alternative fuels and fuel-efficient vehicles (including hybrid vehicles), combined with higher prices for fuel will further contribute to a reduction in the amount of state and federal revenue that will be available for Idaho transportation purposes. At the same time, current levels of spending from the Federal Highway Trust Fund are depleting the surplus in the fund. The fund is projected to “zero out” by FY2010 unless Congress takes yet unidentified action to replenish the fund. Without such action, funding to the states will be limited to distributions of revenue coming into the fund annually, which will be correspondingly less than current funding levels.

The Idaho fuel tax on gasoline, gasohol and diesel fuel (the latter most often referred to as “special fuels”) has historically been the largest source of revenue for Idaho transportation purposes. The Idaho fuel tax in 1953 was 6 cents per gallon. Subsequently, the tax was adjusted as follows: 1968 - 7 cents; 1972 - 8.5 cents; 1976 - 9.5 cents; 1981 - 11.5 cents; 1982 - 12.5 cents; 1983 - 14.5 cents; 1988 - 18 cents; 1991 - 21 cents; and 1996 - 25 cents. Over this period, the maximum period of time the fuel tax remained unadjusted was five years. And, with the exception of 1981, at the end of each of those five-year periods the fuel tax was adjusted by at least 3 cents. Since FY2000, the fuel tax has averaged approximately 68% of all state revenue accumulated to the Highway Distribution Account (HDA).

Federal Funds

Federal dollars for state transportation projects, as restricted in use by federal code, are almost exclusively used for highway system infrastructure construction. State transportation revenues distributed through the Highway Distribution Account (HDA) are used by the Idaho Transportation Department to support personnel and operation functions, to support the state-funded construction program, and to match federal-aid funds. Local jurisdictions rely primarily on HDA funds and local property taxes for their transportation programs and to match federal-aid for some projects.

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One of the effects of heavy reliance on federal dollars for state highway system construction is the reduction of transportation funding for local highway jurisdictions. Local highway jurisdictions, which rely on a 38% formulated distribution through the Highway Distribution Account, have experienced diminishing transportation-related purchasing power that has been driven in large part by flat-lined fuel tax revenues first evidenced in FY2000. The same effect is true for the Idaho State Police that receive 5% of the Highway Distribution Account distribution.

Another way of looking at the effect of federal-aid funds on Idaho is to convert the *increases* in federal funding since FY2000 into an equivalent Idaho fuel tax and compare that tax profile to an “indexed Idaho fuel tax” forecast from FY1996 forward. In this analysis, the amount of revenue generated for each cent of state fuel tax is used to calculate an equivalent amount of tax that would equal annual federal funding increases since FY1996. The result of these calculations is shown on the “ID Fuel Tax Adjusted for FHWA” graph (Figure 33, page 71). The graph and included analysis indicate that federal funding increases between FY2000 and FY 2005 have allowed the Idaho state fuel tax to be held at the 25 cents per gallon level without reducing state transportation program funding. Without federal funding increases, the Idaho fuel tax would have needed to be increased to approximately 42 cents per gallon (a 68% increase) by FY2005 to deliver the same highway construction program.

State Funds

Travel miles on Idaho’s highway system have increased faster than the proportional revenue that would be expected to be collected from the fuel tax based on historical precedent. This is due to fuel tax policy over the past decade and to increasing fuel efficiency of both cars and trucks.

More cars on the highways are causing more congestion and pollution while heavier average truck weights and increasing truck numbers are significantly impacting highway construction requirements and transportation planning. At the same time, many of Idaho’s highways, roads and bridges are nearing the end of their planned life cycle and will need major repairs or complete replacement sooner than later.

Annual growth in Highway Distribution Account revenue to the Idaho Transportation Department has been more than offset by cost increases for state-funded operating programs (rising utility rates, labor costs/salaries, employer-paid health insurance, etc., fuel costs, material costs, shipping and postage costs, etc.). Funding for construction, expansion and other programs is being reduced each year to make up the difference and will continue to be reduced until fuel tax receipts are sufficient to cover non-discretionary operating program cost increases.

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Local Highway Jurisdiction Funds

Local highway jurisdictions (cities, counties, and highway districts) are addressed only in terms of a general impact of diminished funding through the Highway Distribution Account since FY2000. Information is presented in summary in this Executive Overview and in somewhat greater detail following the Overview.

GARVEE (Grant Anticipation Revenue Vehicle) Bonding

The amount of state fuel tax revenues used to match federal aid is unchanged by the GARVEE bonding for projects. State funds used to match federal-aid are approximately 10% of total state funds, regardless of the method used to finance the project. The use of GARVEE bonding is not a substitute for the need to raise revenues to offset lost buying power that has occurred since FY2000, especially at the local level. By the same token, GARVEE bonding, of itself, does not require an increase in established fuel taxes or fees to support GARVEE program construction. If state fuel taxes and/or fees are increased in the near future, the need can be more directly associated with state and local highway jurisdiction Highway Distribution Account funding that has been diminishing in purchasing power since FY2000. GARVEE bonding for up-front Idaho transportation construction has the long-term positive effect of not only “connecting Idaho” but of “banking” recoverable petroleum-based pavement materials for later recycling. Energy-based material costs, such as for asphalt, will escalate rapidly over the next decade as costs for petroleum-based products become more competitive on the world market.

Indexing the Idaho Fuel Tax

Much of the material in this section deals with a fuel tax indexing protocol that is retrospective in nature. The selected indexing protocol uses a combination of average annual vehicle miles traveled (AAVMT) and the National Composite Construction Index (NCCI) to develop a locus of points that matches the Idaho fuel tax in 1983 and closely matches each tax increase from FY1983-FY1996. A regression analysis on the locus of points provided a tool for estimating foregone fuel tax revenue to the State Highway Distribution Account from FY2000-FY2005 (Figure 32, page 68). The foregone revenue for this six-year period is estimated to be approximately \$340 million. The regression trend line also indicates where the state fuel tax would be in FY2005 based on previous fuel tax increases between FY1983 and FY1996. Based on the results, there is no reason to assume that combined AAVMT and NCCI data would not be satisfactory elements to consider in an attempt to index Idaho fuel taxes for the purpose of projecting fuel tax revenue requirements over a period not to exceed 5-10 years.

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It is apparent from “indexing” considerations that Idaho fuel tax revenues to the Highway Distribution Account have been stagnant since FY2000. Unless it is a specifically intended strategy to freeze fuel taxes and allow state fuel tax revenue collections to flat-line, there should be a methodology to index fuel taxes, or the Highway Distribution Account revenue stream in general. If this occurred, a flattening in Highway Distribution Account transportation revenue would, at a minimum, trigger mandatory review of state transportation objectives, the available revenue stream, and strategic priorities.

Not the least of the strategic priorities should be an adequate tax structure to achieve required revenue for not only for Idaho, but also Idaho State Police and local highway jurisdictions as currently funded through the Highway Distribution Account.

Transportation Costs Projected to FY2035

Trend line regression analysis was used to project Idaho transportation costs to FY2035. Two estimates were completed. One used Idaho Transportation Department (ITD) transportation costs between FY1996 and FY2004. The other used AAVMT/NCCI fuel tax indexing through FY2005 to project to FY2035. ITD transportation costs include administrative and operation costs, whereas AAVMT/NCCI data is mostly capital and construction oriented. Both projections are in the \$20 billion range; a result not markedly different from the Lochner/Warne project related estimate of \$20 billion. This estimate does not include the effect of any residual transportation needs backlog that may remain from the **1995 Idaho Highway Needs Assessment Study Update**. It is doubtful that any attempt to forecast Idaho transportation funding requirements out to FY2035 will produce a reasonable estimate that will be less than \$20 billion, no matter how sophisticated the forecasting technique.

Based on a decade of transportation funding that has been increasingly reliant on Federal Highway Trust Fund assistance at the expense of Highway Distribution Account revenue collections, it would be both appropriate and timely for the Idaho Legislature to fund a new “Transportation Needs Assessment Study.” This study should be at the same level of detail as the **1995 Idaho Highway Needs Assessment Study Update**. If nothing else, such a study would assist in validating or rejecting the projected transportation cost estimate of \$20 billion by FY2035. However, action to adjust the fuel tax (to adjust for loss of buying power since FY2000) can, and should be done before this study is completed.

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IDAHO FUEL TAX

Subscribing to the philosophy that a picture is (sometimes) worth a thousand words, two charts were developed to display fuel tax revenue collections from FY1986-FY2005.

A “break” is introduced at the FY2000 point in the **Gasoline and Special Fuels Revenue** chart to better display a significant stagnation in fuel tax revenue, both gasoline and special fuels. The separate gasoline and special fuels revenue collections are combined in the **Idaho Fuel Tax and Fuel Tax Revenue Compared** chart and, as indicated by the title, there is an overlay of the FY1986-FY2005 Idaho fuel tax schedule. After each of the tax increase years, revenue increased sharply but tended to flatten with time.

The extended period without a tax increase between FY1996 and FY2005 displays the same flattening trend in revenue collections as in prior years but then, for whatever reason(s), goes abruptly flat between FY2000 and FY2005. This revenue stagnation is difficult to understand given the population growth in Idaho from FY2000-FY2005 and the associated increase in vehicle miles traveled. (The latter is discussed in a subsequent subject area.) Regardless, the effect of stagnation in State fuel tax revenue does not come without consequences.

GASOLINE AND SPECIAL FUELS REVENUE (Net to Highway Distribution Account + Restricted Highway Fund*) * Restricted Highway Fund 1996-1999)

FY	Gasoline	Gasoline	Special Fuels	Special Fuels	Total	ID Fuel Tax
1986	\$ 60,045,111		\$ 13,187,096		\$ 73,232,207	14.5
1987	\$ 63,166,860		\$ 13,949,167		\$ 77,116,027	14.5
1988	\$ 64,815,073		\$ 14,492,974		\$ 79,308,047	18.0
1989	\$ 77,446,979		\$ 19,877,164		\$ 97,324,143	18.0
1990	\$ 78,603,658		\$ 21,072,178		\$ 99,675,836	18.0
1991	\$ 80,059,770		\$ 22,163,620		\$ 102,223,390	21.0
1992	\$ 96,607,140		\$ 27,312,553		\$ 123,919,693	21.0
1993	\$ 102,261,768		\$ 32,146,872		\$ 134,408,640	21.0
1994	\$ 108,652,150		\$ 33,323,789		\$ 141,975,939	21.0
1995	\$ 108,701,517		\$ 34,383,276		\$ 143,084,793	21.0
1996	\$ 117,780,949		\$ 36,814,647		\$ 154,595,596	25.0
1997	\$ 135,378,071		\$ 53,683,180		\$ 189,061,251	25.0
1998	\$ 142,430,239		\$ 50,039,586		\$ 192,469,825	25.0
1999	\$ 150,904,512		\$ 52,341,679		\$ 203,246,191	25.0
2000		\$ 148,662,734		\$ 53,607,681	\$ 202,270,415	25.0
2001		\$ 142,662,734		\$ 54,042,570	\$ 196,705,304	25.0
2002		\$ 145,306,400		\$ 56,163,042	\$ 201,469,442	25.0
2003		\$ 146,008,705		\$ 55,474,275	\$ 201,482,980	25.0
2004		\$ 148,879,407		\$ 59,663,355	\$ 208,542,762	25.0
2005		\$ 148,891,320		\$ 61,205,593	\$ 210,096,913	25.0

Note: Data displaced in FY 2000 - 2005 for graphing purposes.

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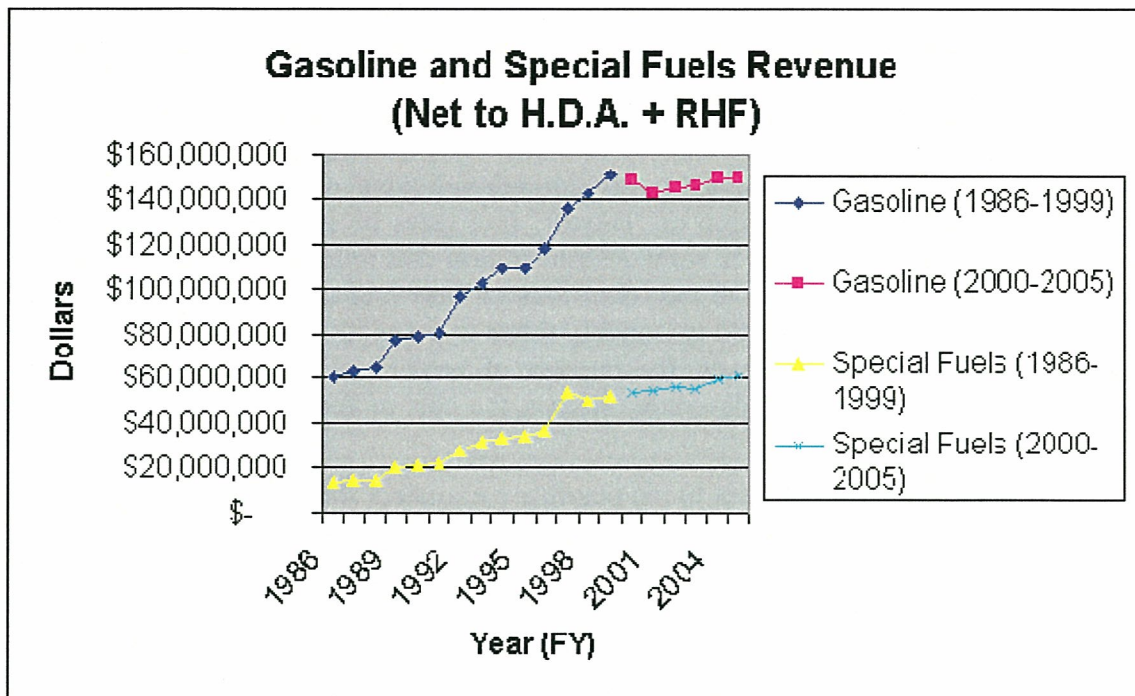


Figure 29: Jim Kempton graph #1

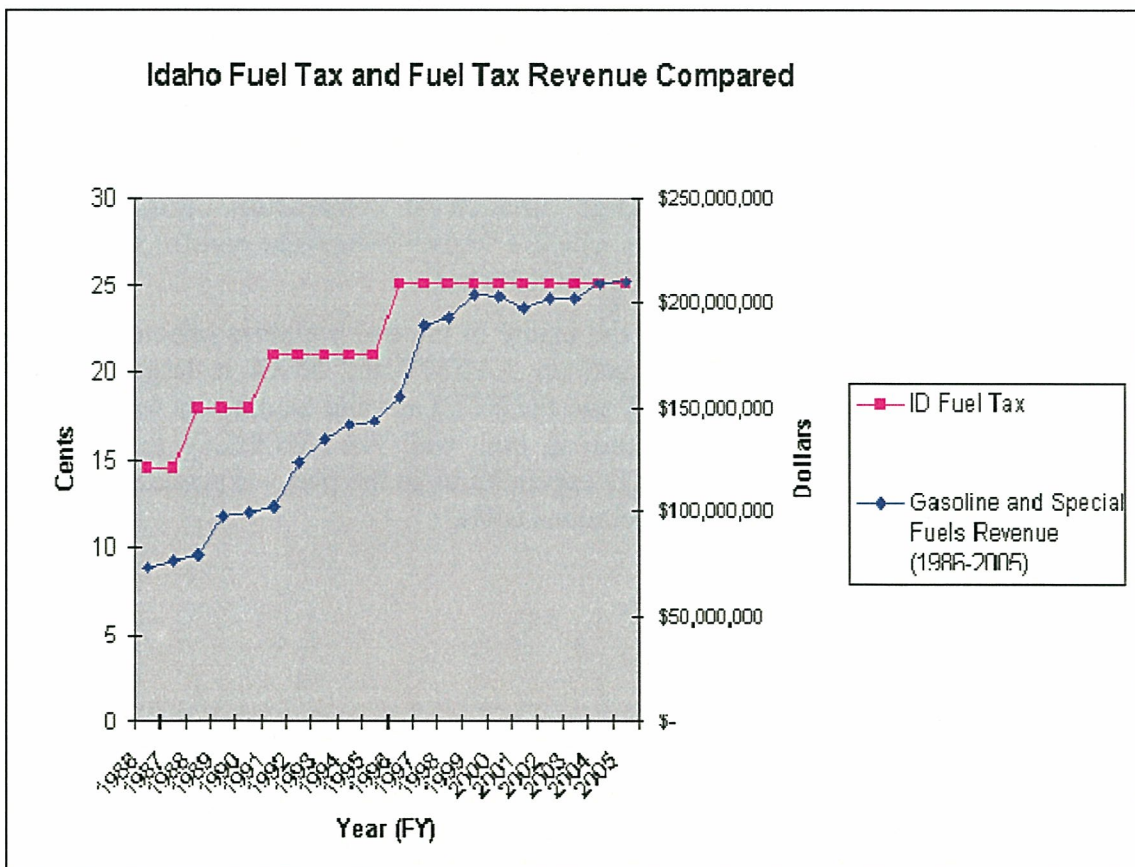


Figure 30: Jim Kempton graph #2
H.W. Lochner/Tom Warne and Associates

INDEXING IDAHO FUEL TAX: A RETROSPECTIVE CONSIDERATION

Early in forum discussions, members raised the question as to whether Idaho fuel taxes could, or should, be indexed. The question arose partly through a curiosity of the Chair, and partly through individual conversations with forum members. The question of “should” fuel taxes be indexed really cannot be addressed until there is some demonstration that relatively simple parameters exist which correlate to past decisions to raise fuel taxes. Certainly some of those parameters would reasonably relate to population growth, the number of vehicles on Idaho roads, the number of vehicle miles traveled, the cost of construction to include crude oil cost, the cost of fuel at the pump to reflect crude oil costs, etc.

Data collection relevant to the possible parameters above immediately became a problem because of the mix of information, information format, and volume of information available from different reporting offices. In the final analysis, two parameters were selected for ease of use: Average Annual Vehicle Miles Traveled (AAVMT) in Idaho and the National Composite Construction Index (NCCI). The former is information collected by the Idaho Transportation Department and the latter is information available through the U.S. Department of Transportation. AAVMT is self-explanatory. The NCCI index measures national cost trends in construction that include costs for common excavation, asphalt, surfacing, steel and concrete. There is also an Idaho Composite Construction Index, but the data points vary widely and a regression comparison of the histories of both indicates the trend of Idaho composite construction costs is higher than that of the NCCI. The NCCI was selected to avoid effects of large variations in construction costs and to be conservative in the degree to which a higher composite construction index would tend to drive indexed fuel taxes higher.

It should be recognized from the nature of the two variables selected; that an indexed fuel tax protocol based on AAVMT and NCCI is largely capital oriented. The test of AAVMT and the NCCI as valid parameters for indexing the Idaho fuel tax will depend on how well AAVMT/NCCI data can be formulated to match actual ITD expenditures in the past - expenditures which include administration and operations costs.

Forum on Transportation Investment

The AAVMT/NCCI Indexed Idaho Fuel Tax is calculated as shown in the included table (page 67). Fractional growth in average vehicle miles traveled and the NCCI are calculated using three-year averages. The purpose of using three-year averages is two-fold: 1) three-year averages introduce stability in fluctuating numbers, and 2) three-year averages provide stability in decision processes where reacting to annual “ups-and-downs” is not desirable. The AAVMT number for FY2005 is estimated based on miles traveled in FY2001-2004.

The following simple protocol (expressed in formula format) is selected using a base year of FY1983:

$$\text{AAVMT/NCCI Indexed ID Fuel Tax} = \$0.145 + \$0.145 \times (\text{AAVMT Fractional Growth} + \text{NCCI Fractional Growth}) + 0.018^*$$

** \$0.145 is the Idaho fuel tax in FY1983 and 0.018 is a constant added to fit the AAVMT/NCCI indexed fuel tax value to the FY1983 fuel tax. The constant has no other purpose than to make that fit so all subsequent AAVMT/NCCI indexed fuel tax points have the FY1983 fuel tax (\$0.145) as a point of origin.*

A data table (page 67) and two charts (page 68) are prepared to compare AAVMT/NCCI Indexed Idaho Fuel Tax with actual Idaho fuel tax increases from FY1983-FY1996. The data table lists average annual vehicle miles traveled (AAVMT) and NCCI indices for the years FY1981-FY2005. State fuel taxes are listed for FY1983-FY2005. Three-year “average growth” numbers are calculated for both the AAVMT column and the NCCI column. Again, three-year growth averages are used to reduce the effects of annual variation. Three-year “fractional growth” numbers are calculated from “average growth” values in the AAVMT and NCCI columns. The AAVMT/NCCI indexed fuel tax is calculated from the protocol formula discussed above and the values are recorded opposite the actual state fuel tax for the same year.

The **AAVMT/NCCI Indexed ID Fuel Tax** chart displays data from the table in graphic form. The graphic portrayal of AAVMT indexed fuel tax points closely approximates a straight line that passes in very close proximity to historical fuel tax adjustments in FY1988, FY1991 and FY1996. In the second chart, a regression line is inserted to examine the linear nature of fuel taxes instituted in the years FY1988, FY1991 and FY1996.

The formula $Y = 0.9355X + 12.387$ is the formula for the regression line and “R square” is a factor indicative of how well all AAVMT/NCCI indexed fuel tax points approach a straight line, or alternatively, evaluates the scattering of various AAVMT/NCCI data points along the line. A perfectly straight line of data points would produce an “R square” of 1. The chart formula has an “R square” of 0.9911.

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The significance of such close correlation to a straight line suggests that any tax increases between FY1996 and FY2005 to fund cost impacts of increasing vehicle miles traveled and increased construction costs would have a high probability of occurring somewhere along that line. Moreover, based on a decade of historical fuel tax increases (FY1986-FY1996), at least one, and possibly two, tax increases should have occurred during the period FY1996-FY2005.

AAVMT/NCCI INDEXED ID FUEL TAX

Year	Ave. Vehicle Miles (AAVMT)	Ave. Growth (3 year basis)	Fractional Growth	NCCI	Ave. Growth (3 Year Basis)	Fractional Growth	AAVMT/NCCI Indexed	Idaho Fuel Tax
			(3 Year)			(3 Year)		
1981	6,861,282,268			94.2				
1982	6,943,313,978			88.5				
1983	7,466,671,427	7,090,422,558	0.03	87.6	90.10	0.27	14.2	14.5
1984	7,742,828,507	7,384,271,304	0.08	92.6	89.57	0.27	14.6	14.5
1985	7,915,483,995	7,708,327,976	0.12	102.0	94.07	0.33	15.6	14.5
1986	8,233,831,019	7,964,047,840	0.16	101.1	98.57	0.39	16.6	14.5
1987	8,567,112,919	8,238,809,311	0.20	100.0	101.03	0.43	17.3	14.5
1988	8,787,256,985	8,529,400,308	0.24	106.6	102.57	0.45	17.9	18.0
1989	9,260,815,146	8,871,728,350	0.29	107.7	104.77	0.48	18.7	18.0
1990	9,850,383,578	9,299,485,236	0.36	108.5	107.60	0.52	19.6	18.0
1991	10,060,902,545	9,724,033,756	0.42	107.5	107.90	0.53	20.3	21.0
1992	10,735,192,817	10,215,492,980	0.49	105.1	107.03	0.51	20.8	21.0
1993	11,294,042,574	10,696,712,645	0.56	108.3	106.97	0.51	21.5	21.0
1994	11,652,859,283	11,227,364,891	0.64	115.1	109.50	0.55	22.6	21.0
1995	12,297,394,023	11,748,098,627	0.71	121.9	115.10	0.63	24.0	21.0
1996	12,924,049,864	12,291,434,390	0.79	120.2	119.07	0.68	25.3	25.0
1997	13,112,181,579	12,777,875,155	0.86	130.6	124.23	0.76	26.7	25.0
1998	13,644,125,606	13,226,785,683	0.93	126.9	125.90	0.78	27.5	25.0
1999	14,327,970,853	13,694,759,346	1.00	136.5	131.33	0.86	28.9	25.0
2000	13,728,357,452	13,900,151,304	1.03	145.6	136.33	0.93	29.9	25.0
2001	14,298,599,802	14,118,309,369	1.06	144.8	142.30	1.01	31.0	25.0
2002	14,303,172,548	14,110,043,267	1.06	147.9	146.10	1.07	31.5	25.0
2003	14,400,462,268	14,334,078,206	1.09	149.8	147.50	1.09	32.0	25.0
2004	14,824,908,521	14,509,514,446	1.11	175.4	157.70	1.23	33.6	25.0
2005	15,000,000,000	14,741,790,263	1.15		152.60	1.16	33.2	25.0

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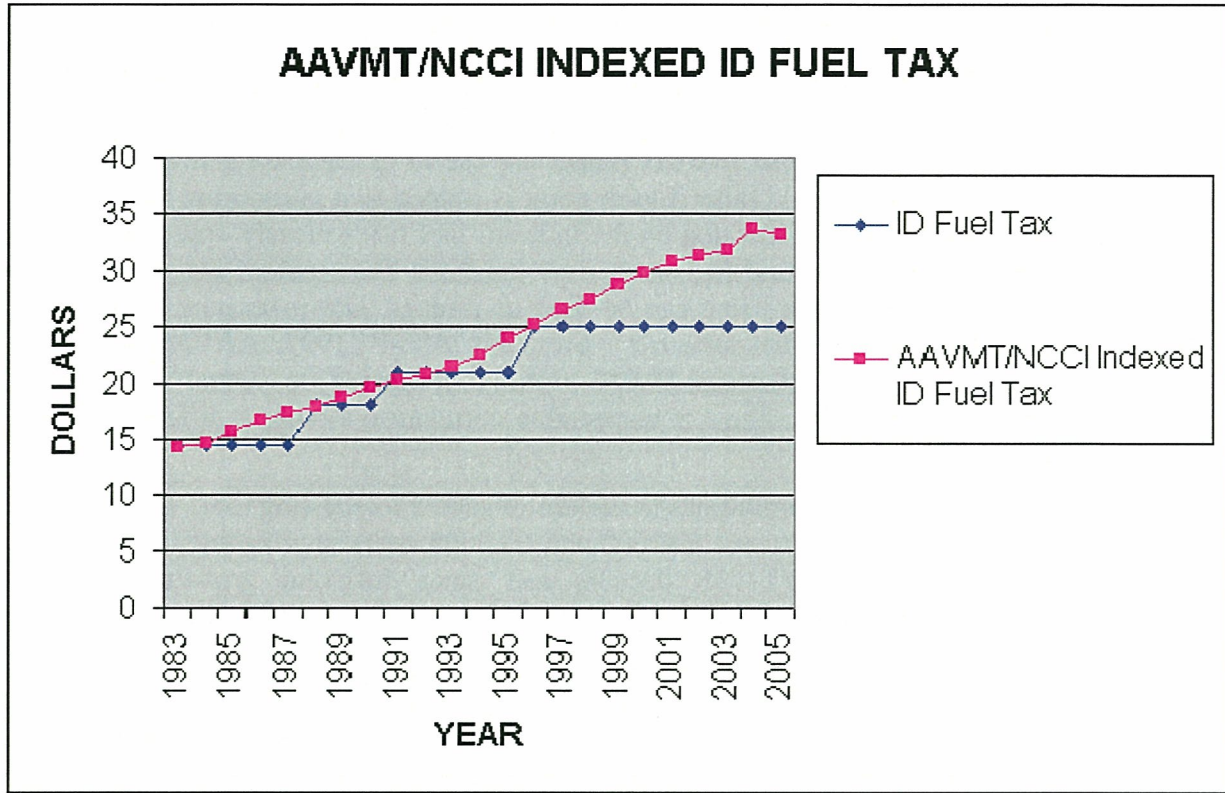


Figure 31: Jim Kempton graph #3

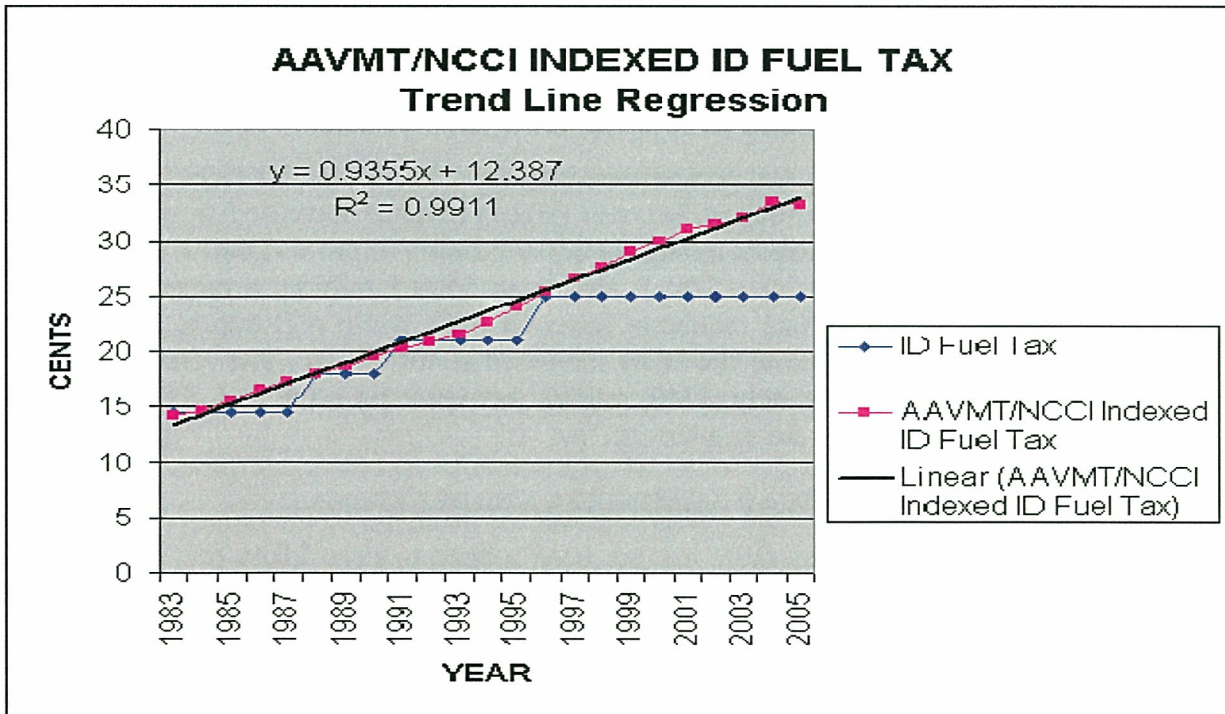


Figure 32: Jim Kempton graph #4

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In developing the AAVMT/NCCI Indexed Idaho Fuel Tax, it is worth emphasizing that there is no intention of suggesting state fuel taxes should be raised annually. The historical fuel tax pattern over the past decade suggests that, on average, tax increases have been necessary on a 3-4 year basis.

AAVMT/NCCI indexed fuel tax points are useful in comparing revenue the indexed fuel tax would raise if each point is treated as a pseudo-tax point. If the sum of revenue generated by the indexed fuel taxes closely approximates revenue raised by actual fuel taxes over the same time period, the AAVMT/NCCI regression trend line can be used to forecast *future revenue required* based on *past revenue collected*. From FY1986-FY1995, AAVMT/NCCI pseudo-tax points generate \$1,056 million compared to actual fuel tax collections of \$999 million; a respectable correlation having a difference of 5.71 percent.

Obviously there are limitations to the use of such a forecasting tool. But since population growth between FY2000 and FY2005 is not significantly different from the FY1986-FY1996 decade, and since inflation growth is not excessively different, a revenue forecast based on the AAVMT/NCCI trend line is reasonable in the near term – but becomes less reliable in out-years beyond FY2005.

On that premise, the period FY2000-2005 would have seen a requirement for approximately \$340 million in state revenue generated from appropriate (two or more) fuel tax increases along the AAVMT/NCCI trend line. In terms of distributed funds through the Highway Distribution Account, the \$340 million would have been split \$193.8 million to the State Highway Account, \$129.2 million to local highway jurisdictions and \$17 million to Idaho State Police. Since no tax increases occurred during FY2000-2005, approximately \$340 million was not collected and became “foregone” revenue.

From a slightly different perspective, between FY1995 and FY1999 (5 years), State Highway Distribution Account (HDA) revenue increased from \$214.0 million to \$244.9 million; a range of \$30.9 million. From FY2000-FY2004 (5 years), that increase was \$295.9 million to \$300.8 million; a range of \$4.9 million. This revenue reduction occurred even while registration fees and truck related revenue to the HDA increased significantly. The effect of not collecting approximately \$340 million between FY2000 and FY2004 is reflected, in part, in the numbers above.

FEDERAL HIGHWAY ADMINISTRATION FUNDING

The question of why there has not been a need to raise Idaho fuel taxes, or other transportation taxes and fees in substitution for that matter, hinges on federal funding *increases* that have been available after FY2000. An interesting way of looking at the issue is to convert federal funding *increases* since FY 2000 into an equivalent Idaho fuel tax increase and to compare that tax profile to the AAVMT/NCCI forecast beyond FY1996.

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Such a comparison will also allow a look at the way each cent of Idaho fuel tax has brought revenue into the State Highway Distribution Account. The amount of revenue collected for each cent of fuel tax will be used to calculate the tax equivalent of annual federal funding *increases* since FY1996. All other column headings should be familiar to the reader.

The data in Table 1 and Table 2 are used to produce the chart titled **Idaho Fuel Tax Adjusted for FHWA**. The Idaho fuel tax adjusted for FHWA increases in federal funding is presented as an overlay on the AAVMT/NCCI Indexed ID Fuel Tax chart (page 67) used previously.

Table 1. AAVMT/NCCI Indexed ID Fuel Tax Revenue to HDA

FY	ID Fuel Tax (Cents)	\$ Collected Net to HDA + RHF	\$(M) Collected per cent Tax	AAVMT/ NCCI Indexed ID Fuel Tax (Cents)	Revenue to HDA (\$M)	ID Fuel Tax Adj. for FHWA
1983	14.5			14.2		(See Table 2.
1984	14.5			14.6		below)
1985	14.5			15.6		
1986	14.5	\$ 73,232,207	\$ 5.05	16.6	\$ 83.8	
1987	14.5	\$ 77,116,027	\$ 5.32	17.3	\$ 92.0	
1988	18.0	\$ 79,308,047	\$ 4.41	17.9	\$ 78.9	
1989	18.0	\$ 97,324,143	\$ 5.41	18.7	\$ 101.1	
1990	18.0	\$ 99,675,836	\$ 5.54	19.6	\$ 108.5	
1991	21.0	\$ 102,223,390	\$ 4.87	20.3	\$ 98.8	
1992	21.0	\$ 123,919,693	\$ 5.90	20.8	\$ 122.7	
1993	21.0	\$ 134,408,640	\$ 6.40	21.5	\$ 137.6	
1994	21.0	\$ 141,975,939	\$ 6.76	22.6	\$ 152.8	
1995	21.0	\$ 143,084,793	\$ 6.81	24.0	\$ 163.5	
1996	25.0	\$ 156,614,265	\$ 6.26	25.3	\$ 158.5	25.00
1997	25.0	\$ 189,061,251	\$ 7.56	26.7	\$ 201.9	29.19
1998	25.0	\$ 192,469,825	\$ 7.70	27.5	\$ 211.7	28.57
1999	25.0	\$ 203,246,191	\$ 8.13	28.9	\$ 235.0	29.88
2000	25.0	\$ 202,270,346	\$ 8.09	29.9	\$ 241.9	33.06
2001	25.0	\$ 197,029,342	\$ 7.88	31.0	\$ 244.3	35.79
2002	25.0	\$ 201,469,442	\$ 8.06	31.5	\$ 253.9	34.91
2003	25.0	\$ 201,482,980	\$ 8.06	32.0	\$ 257.9	38.66
2004	25.0	\$ 208,542,762	\$ 8.34	33.6	\$ 280.3	39.94
2005	25.0	\$ 210,096,913	\$ 8.40	32.2	\$ 270.6	42.12

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Table 2. ID Fuel Tax Adjusted for FHWA Funding

FY	Revenue Equiv. to HDA (\$M)	FHWA \$(M) to State	FHWA Delta 1994 base	ID Fuel Tax Equiv.	ID Fuel Tax Adj. For FHWA
1994	\$ 152.8	\$ 95.50	\$ -		
1995	\$ 163.5	\$ 135.10	\$ 39.60	\$ 5.81	26.81
1996	\$ 158.5	\$ 102.70	\$ 7.20	\$ 1.15	26.15
1997	\$ 201.9	\$ 127.20	\$ 31.70	\$ 4.19	29.19
1998	\$ 211.7	\$ 123.00	\$ 27.50	\$ 3.57	28.57
1999	\$ 235.0	\$ 135.20	\$ 39.70	\$ 4.88	29.88
2000	\$ 241.9	\$ 160.70	\$ 65.20	\$ 8.06	33.06
2001	\$ 244.3	\$ 180.50	\$ 85.00	\$ 10.79	35.79
2002	\$ 253.9	\$ 175.40	\$ 79.90	\$ 9.91	34.91
2003	\$ 257.9	\$ 205.60	\$ 110.10	\$ 13.66	38.66
2004	\$ 280.3	\$ 220.10	\$ 124.60	\$ 14.94	39.94
2005	\$ 270.6	\$ 239.40	\$ 143.90	\$ 17.12	42.12

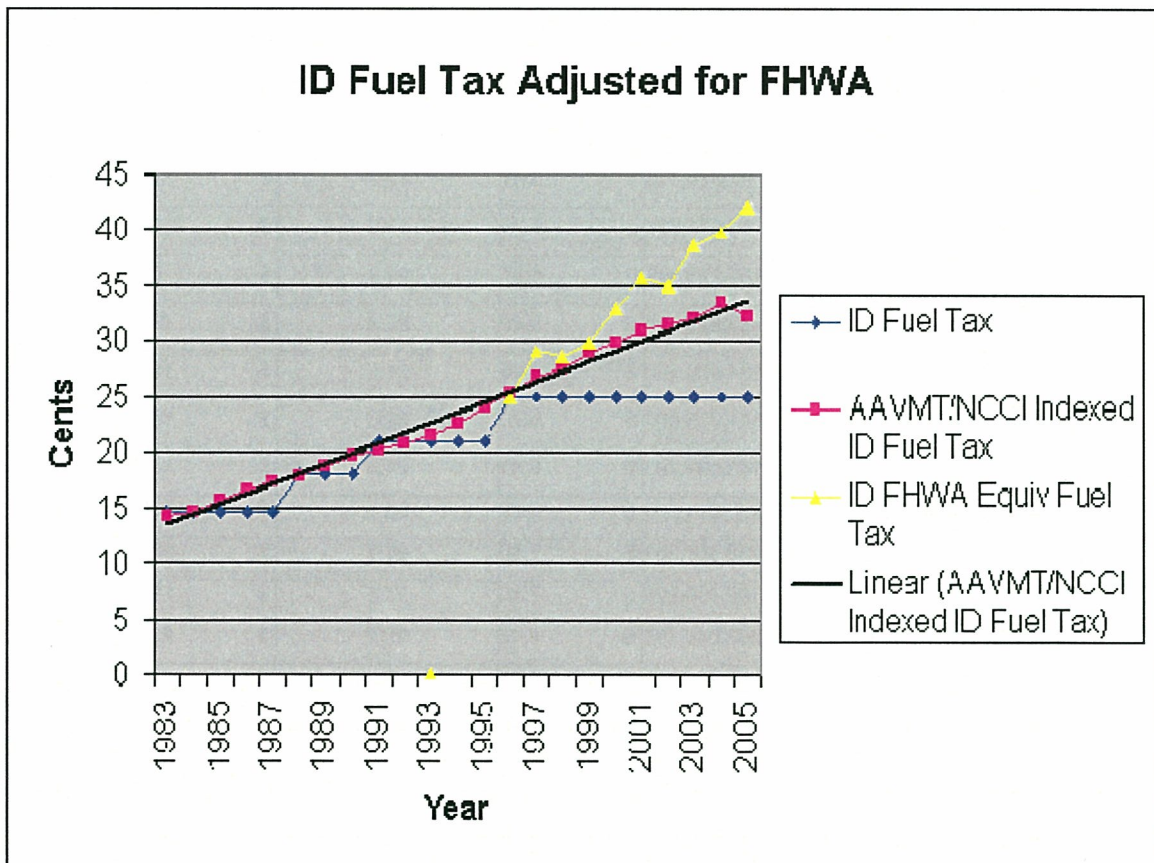


Figure 33: Jim Kempton graph #5

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It is apparent from the **ID Fuel Tax Adjusted for FHWA** chart that FHWA funding *increases* between FY2000 and FY2005 provided the opportunity for the Idaho fuel tax to be held at 25 cents with some federal money to spare. The substitution of federal money for state revenue collected from any State tax or fee, fuel tax or otherwise, has potential drawbacks that should be clearly understood as the state moves forward over the next quarter century.

Specifically:

1. Federal money apportioned by law—with prescriptive conditions on state highway construction—can reduce transportation funding for secondary state highways and local highway jurisdictions if the Highway Distribution Account revenue growth is not sustained. For local highway jurisdictions, 38% of essentially no increase in fuel tax revenue over five years means a proportionally flat-lined transportation budget. The purpose of working with the Idaho fuel tax is not to suggest that Idaho fuel taxes should be raised to some outrageous level that would exceed state revenue requirements. Rather, the purpose is to work with the existing state fuel tax structure and associated Highway Distribution Account revenue distribution formula to show that, among other things, there is a problem at the “local” level, and to a lesser extent the state level, that needs to be resolved in the very near future. This is particularly true in local highway jurisdictions where property tax collections are capped at 3% growth, real property development (construction) has not increased significantly and the existing levy was low at the time the 3% cap was implemented.

If the local transportation funding problem is simply too great to resolve at the legislative level, there needs to be a strategy put in place that outlines how Idaho will begin downsizing rural transportation infrastructure to accommodate reduced “local” funding. Where Idaho secondary highway and rural road systems are concerned, many local highway jurisdictions are stretched to the point where it is no longer a matter of simply being more efficient in doing more with less.

The Highway Distribution Account shortfall of approximately \$17 million to Idaho State Police since FY2000 requires no additional elaboration. The reduction was either adjusted through alternative legislative funding, or the law enforcement presence on Idaho highways and byways was adversely impacted.

At the State level, even with the benefit of federal funding *increases*, adverse impacts to state operations and administrative funding requirements can also be masked; especially if total transportation expenditures are the primary guide by which “adequate” transportation funding is evaluated. A case in point is found in data provided by the Legislative Budget Office.

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The data presents an “expenditure break-out” that compares Idaho Transportation Department Expenditures by “Classification.”

EXPENDITURE CLASSIFICATIONS (Legislative Budget Office)

Classification	1996-2001(Ave)	2002	2003	2004	1996-2004 (Ave)
Personnel	\$ 77,379,000	\$ 90,407,400	\$ 89,754,800	\$ 91,979,700	\$ 87,380,225
Operating Exp.	\$ 47,688,417	\$ 51,193,100	\$ 50,414,800	\$ 52,898,500	\$ 50,548,704
Capital Outlay	\$ 195,224,500	\$ 239,130,000	\$ 273,242,800	\$ 269,972,800	\$ 244,392,525
Trustee/Benefit	\$ 5,741,417	\$ 6,049,700	\$ 6,092,400	\$ 6,748,400	\$ 6,157,979
	\$ 326,033,333	\$ 386,780,200	\$ 419,504,800	\$ 421,599,400	\$ 388,479,433
Capital Outlay %	59.9	61.8	65.1	64.0	
Operating Exp:	14.6	13.2	12.0	12.5	
Personnel:	23.7	23.4	21.4	21.8	

A review of capital outlays on a percentage basis between FY1996 and FY2004 indicates that capital outlays have increased only slightly. The data also indicates that those increases have apparently come at some expense to funding for operating expenditures and personnel. On the surface it is logical to surmise that, with a flat state revenue for five (5) years, the Idaho Transportation Department is stretched to the point where capital outlays are carried, in part, by operations and personnel funding cuts.

- Modest and reasonable fuel tax increases *not taken* over the past ten years to keep state and local transportation funding even with inflation, and to continue to meet backlog “needs” originally identified in the **1995 Idaho Highway Needs Assessment Study Update** has very likely contributed to a new transportation “needs” backlog at the state and local level that will be difficult to resolve. The adverse effect of missed infrastructure investments is unfortunately compounded by rising world-wide petroleum product prices, not the least of which has been unprecedented price increases for asphalt and petroleum-based fuels.
- Federal Highway Trust Fund funding will increase between FY2005-FY2009, *but the rate of increase will be less than for the period FY1996-2004* (Figure 34, page 74). This decrease in the rate of federal funding increases to Idaho will occur at exactly the same time that alternative fuel use and fuel efficient vehicles (including hybrid vehicles) begin to introduce negative effects into the existing fuel tax structure.

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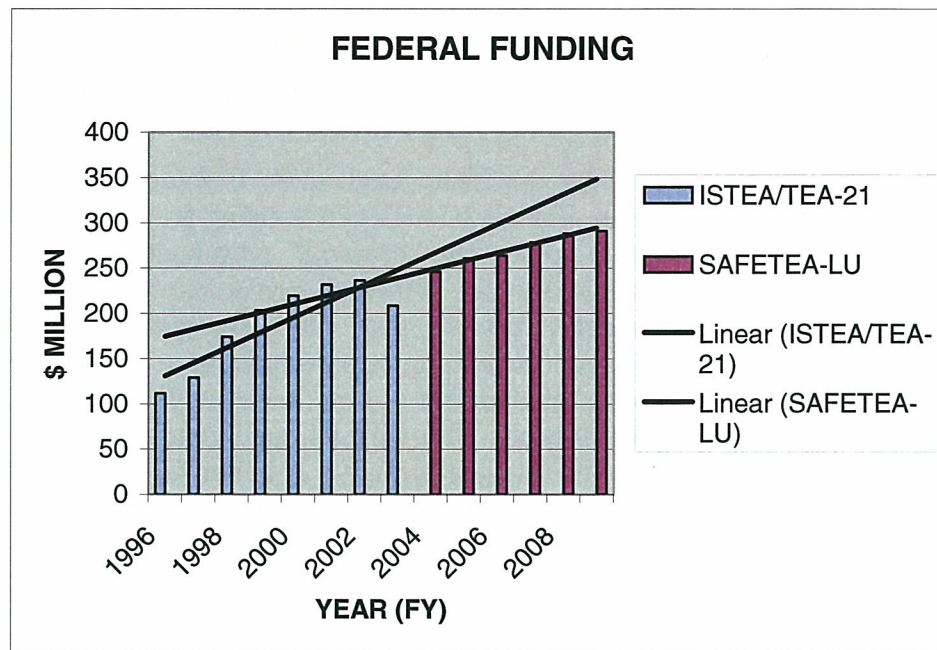


Figure 34: Jim Kempton graph #6

The nation, as a whole, is at a juncture in fuel tax structuring where hybrid vehicles using alternative fuels, to include electricity, can achieve significantly more miles per gallon than vehicles produced in the very recent past. Electrical energy used as a fuel cannot be taxed directly, but registration fees are increasingly being used to serve as a fuel tax substitute. In Idaho, alternative liquid fuels are currently taxed to a gasoline “energy equivalency” so that a 25 cents per gallon tax rate can be applied across the board. Assuming transportation program costs do not decrease significantly as more alternative fueled cars are added to the Idaho transportation infrastructure, the loss of the historical fuel tax base will require either increased fuel tax adjustments or selection of substitute sources of revenue. The transition will not be without controversy; but it must come about.

Even more significantly, Federal Highway Trust Fund money is projected to “zero-out” by FY2010 unless the federal government takes yet undefined action to replenish the fund. Regardless of the path chosen to keep the fund solvent, the cost of transportation fuel(s) is going to increase. An increase, in the face of rising energy costs, will do nothing but make future state transportation revenue collection efforts more difficult. It is also a given that structural products used in transportation construction that have a direct connection to energy related materials, such as asphalt, will have the most long-term value if “banked” through “up-front” construction accomplished early in the next quarter century.

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Without an increased fuel tax in the near future, or identification of other appropriate revenue-generating resources, Idaho will be poorly positioned at both the state and local level to take front-end advantage of a future defined by rapidly increasing energy-related materials costs.

The recent decision by the Idaho Legislature to endorse Federal Grant Anticipation Revenue Vehicle (GARVEE) bonding for Idaho construction is a positive case-in-point. In “banking” recyclable petroleum-based construction materials through up-front construction, Idaho will lay recoverable pavement structures that will only escalate in value as petroleum and petroleum-based products become more competitive on the world market. Further, the amount of state funds used to match GARVEE federal-aid is approximately 10% of total state funds regardless of the method used to finance selected projects. It is not the cause, in a cause-and-effect sense, for the need to increase the fuel tax, or other fees/taxes, to generate additional revenue for the Highway Distribution Account. The “need,” if fuel taxes are necessarily increased in the near future, has been demonstrated to be diminished state and local highway jurisdiction funding that has occurred through the Highway Distribution Account distributions since FY2000.

TRANSPORTATION COSTS PROJECTED TO FY2035

As a part of this report, H.W. Lochner/Tom Warne Associates has projected an un-inflated accumulated capital cost of approximately \$20 billion by FY2035. The forum debated the separation of “wants and needs” in such a long-range project related estimate. However, the forum eventually reached a conclusion that “wants” and “needs” would vary over time and that often the separation between the two would be dictated in terms of available funding at the time. It was generally agreed by the forum that \$20 billion was a reasonable number for discussion purposes. As part of the early debate, the question arose about forecasting to FY2035 based on past transportation expenditures. To the extent that past expenditures are based on capital costs, construction costs, operation costs, personnel costs, and administration costs, such a forecast would not relate directly to the \$20 billion estimate for un-inflated capital costs through FY2035.

However, Legislative Budget Office (LBO) data on page 73 provides insight into the historic (FY1996-FY2004) ratio between capital expenditures and total expenditures. Using the LBO data, this ratio expressed as a percentage is 62.9%. A regression forecast for expenditures through FY2035, using ITD expenditures from FY1996-FY2004 as the forecast base, follows.

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EXPENDITURE REGRESSION FORECAST 2005 – 2035				
Fiscal Year	Actual (\$M)	Forecast (\$M)	Fiscal Year	Forecast (\$M)
	1996 - 04	2005-2035		2005-2035
1996	\$ 268.1		2016	\$ 646.1
1997	\$ 329.5		2017	\$ 664.4
1998	\$ 313.1		2018	\$ 682.7
1999	\$ 302.8		2019	\$ 701.0
2000	\$ 375.1		2020	\$ 719.2
2001	\$ 367.7		2021	\$ 737.5
2002	\$ 386.8		2022	\$ 755.8
2003	\$ 419.5		2023	\$ 774.0
2004	\$ 421.6		2024	\$ 792.3
2005		\$ 445.2	2025	\$ 810.6
2006		\$ 463.4	2026	\$ 828.9
2007		\$ 481.7	2027	\$ 847.1
2008		\$ 500.0	2028	\$ 865.4
2009		\$ 518.2	2029	\$ 883.7
2010		\$ 536.5	2030	\$ 902.0
2011		\$ 554.8	2031	\$ 920.2
2012		\$ 573.1	2032	\$ 938.5
2013		\$ 591.3	2033	\$ 956.8
2014		\$ 609.6	2034	\$ 975.0
2015		\$ 627.9	2035	\$ 993.3
TOTAL			:	\$ 22,296

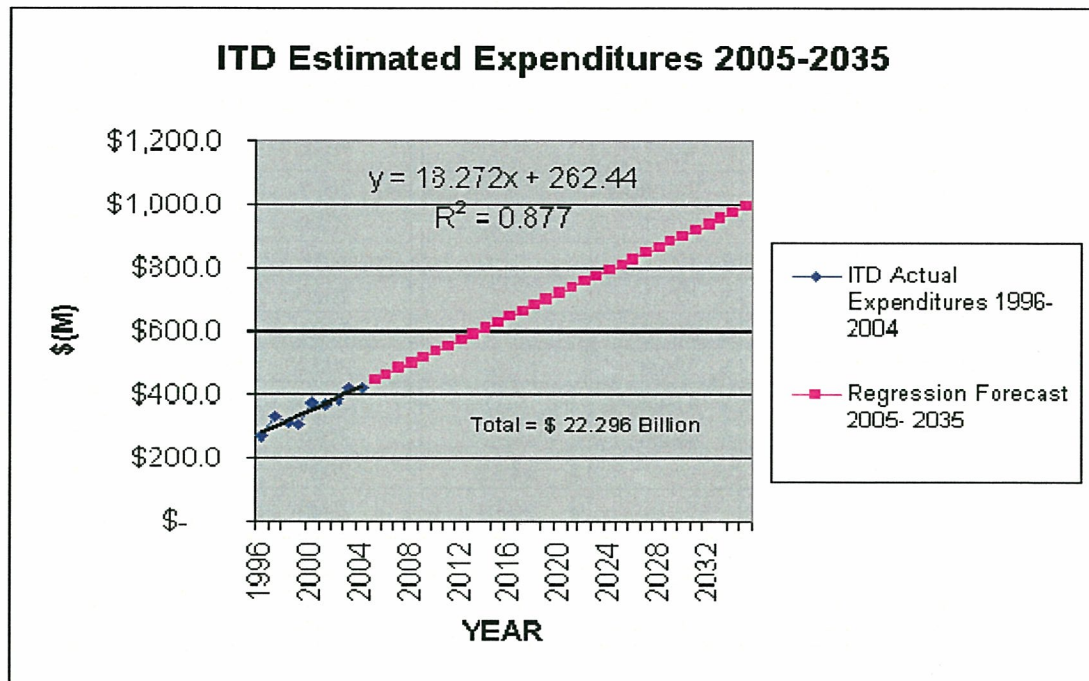


Figure 35: Jim Kempton graph #7

The regression line for expenditure years FY1996-FY2004 has a relatively good linear relationship that can be used to forecast from FY2005-FY2035, recognizing that such a long-range forecast is more for discussion purposes than for advocating that the resultant total is statistically significant. The relevant point is that, given the 62.9% ratio of capital expenditures to the total ITD expenditures, the FY2035 forecast of \$14.0 billion (\$22.29B x 0.629) is not out-of-line with the Lochner/Warne \$12.7 billion estimate for ITD (page 80). Using \$7.0 billion for local highway jurisdictions (50% of ITD expenditures) and \$1.07 billion for public transportation, makes the total FY2035 capital expenditure estimate \$22.07 billion. This estimate does not include the effect of any residual transportation needs backlog that may remain from the *1995 Idaho Highway Needs Assessment Study Update*.

It is doubtful that any attempt to forecast Idaho transportation funding requirements to FY2035 will produce a reasonable estimate that will be less than \$20 billion, no matter how sophisticated the forecasting technique.

Finally, as discussed previously, a regression line forecast for revenue requirements beyond FY2035 can also be developed using AAVMT/NCCI indexed Idaho fuel tax data points through FY2005 as a projection base. The data is heavily oriented toward capital costs, to include construction. The forecast to FY2035 is therefore also weighted toward the same capital costs and will be somewhat deficient in operations and administration costs. A forecast table and graph are provided (page 78) to display HDA revenue requirements through FY2035.

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Total revenue required to FY2035 assumes FHWA funding at an average of 85% of Highway Distribution Account revenues expended, local highway jurisdiction revenue (other than Highway Distribution Account) of 12% [HDA (38%) + 12% = 50%] and public transportation at \$1.07 billion.

As with the expenditure forecast, the AAVMT/NCCI based forecast of \$24.85 billion (with additions) is not out-of-line with the Lochner/Warne projection of approximately \$20 billion in FY2005 dollars by FY2035. It is not unrealistic to assume that \$5 billion of the AAVMT/NCCI forecast is in administrative and operations cost.

Based on a decade of transportation funding that has been increasingly reliant on Federal Highway Trust Fund assistance at the expense of Highway Distribution Account revenue collections, it would be both appropriate and timely for the Idaho Legislature to fund a new "Transportation Needs Assessment Study" at the same level of detail as the *1995 Idaho Highway Needs Assessment Study Update*. Such a study would assist in validating or rejecting the projected transportation capital cost estimate of \$20 billion by FY2035 and should be initiated in FY2006, a decade after the original "needs" study.

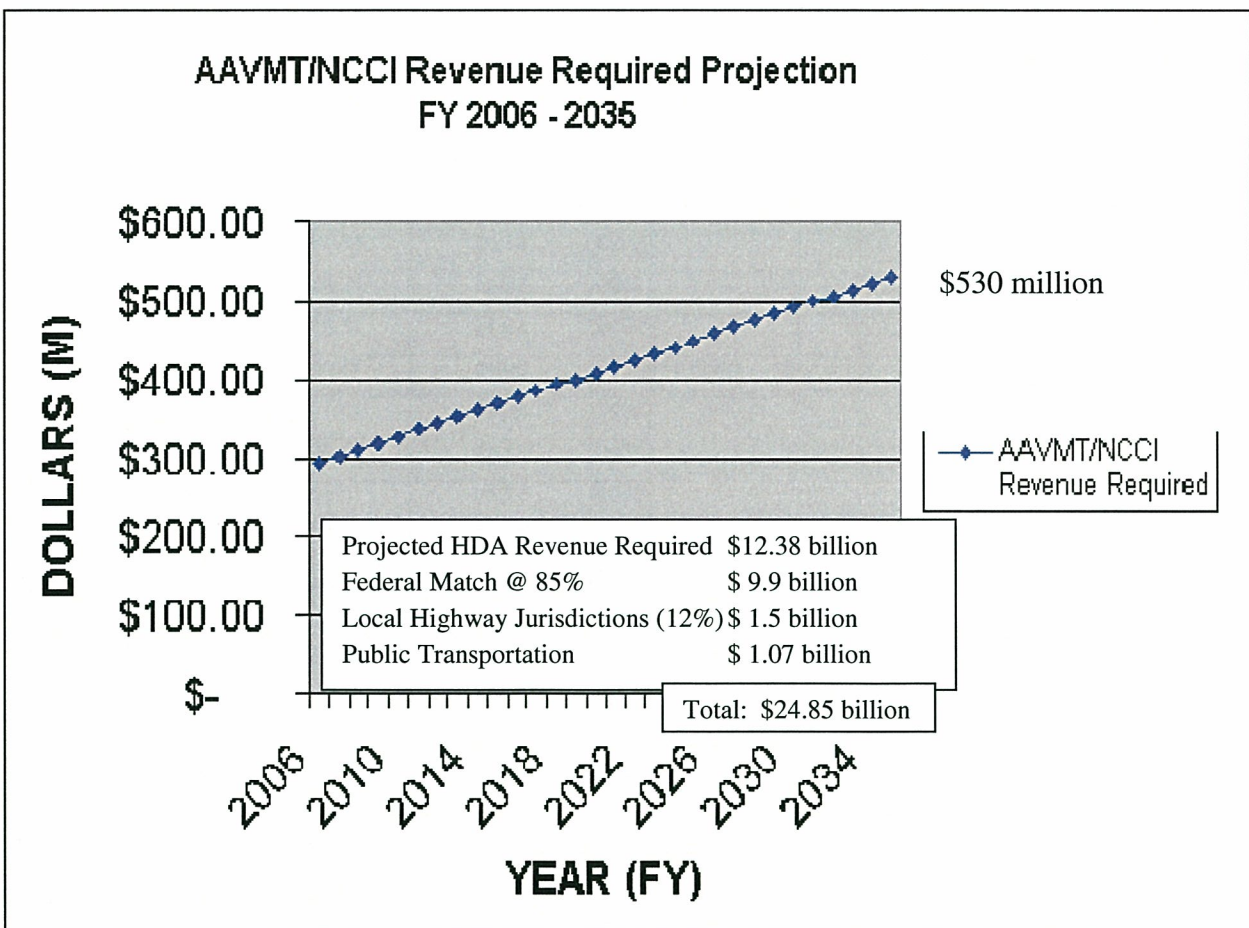


Figure 36: Jim Kempton graph #8

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AAVMT/NCCI Indexed Fuel Tax Revenue AAVMT/NCCI Indexed Fuel Tax Revenue Projected 1986-1996 Projected to 2035

Year	AAVMT / NCCI Indexed ID Fuel Tax (cents)	\$ (M) Collected per cent Tax	Revenue Raised \$ (M)	Year	AAVMT / NCCI Indexed ID Fuel Tax (cents)	\$ (M) Collected per cent Tax	Revenue Raised \$ (M)
1986	16.6	5.05	\$ -	2006	34.85	8.98	\$ 292.75
1987	17.3	5.32	92.0	2007	35.87	9.23	\$ 301.33
1988	17.9	4.41	78.9	2008	36.87	9.50	\$ 309.68
1989	18.7	5.41	101.2	2009	37.88	9.66	\$ 318.20
1990	19.6	5.54	108.6	2010	38.92	9.88	\$ 326.91
1991	20.3	4.87	98.9	2011	39.95	10.09	\$ 335.59
1992	20.8	5.9	122.7	2012	40.97	10.21	\$ 344.13
1993	21.5	6.4	137.6	2013	41.98	10.38	\$ 352.62
1994	22.6	6.76	152.8	2014	42.99	10.57	\$ 361.12
1995	24.0	6.81	163.4	2015	43.98	10.79	\$ 369.45
1996	25.3	6.26		2016	44.93	10.99	\$ 377.38
1997	26.7	7.56		2017	45.83	11.10	\$ 384.96
1998	27.5	7.7		2018	46.72	11.32	\$ 392.44
1999	28.9	8.13		2019	47.63	11.54	\$ 400.07
2000	29.9	8.09		2020	48.55	11.79	\$ 407.85
2001	31.0	7.88		2021	49.51	12.04	\$ 415.91
2002	31.5	8.06		2022	50.46	12.25	\$ 423.86
2003	32.0	8.06		2023	51.45	12.46	\$ 432.17
2004	33.6	8.34		2024	52.45	12.65	\$ 440.60
2005	33.2	8.40		2025	53.48	12.84	\$ 449.27
			\$ 1,056.1	2026	54.49	13.00	\$ 457.72
				2027	55.46	13.19	\$ 465.86
				2028	56.49	13.39	\$ 474.51
				2029	57.40	13.60	\$ 482.16
				2030	58.36	13.80	\$ 490.18
				2031	59.31	14.01	\$ 498.21
				2032	60.26	14.22	\$ 506.21
				2033	61.22	14.43	\$ 514.21
				2034	62.17	14.63	\$ 522.24
				2035	63.13	14.84	\$ 530.30
							\$ 12,377.91

Forum on Transportation Investment

Important to the discussion and objectives of the forum is the analysis performed by H.W. Lochner where they compared levels of need to the available funding and arrived at a sense of the “shortfall gap” that exists and which must be filled.

“WHAT’S THE DELTA?” – Changes from SAFTEA-LU and the Final 30-Year Surface Transportation Capital Improvement Report

Dwight Bower, Sr. Vice President, H. W. Lochner

(See Appendix E, Presentations)

A funding shortfall exists between projected surface transportation capital improvement needs and available transportation funding. The final report for projected 30-year capital improvement needs, available funding, and a subsequent 30-year shortfall was computed for the Idaho Transportation Department, local highway jurisdictions, and public transportation entities. The table below summarizes the predicted shortfall for all three groups.

MATRIX Capital Needs – Available Funds -- Shortfall			
	Idaho Transportation Department	Local Highway Jurisdictions	Public Transportation
30 yr Capital Improvement Needs (Final)	\$12.7 billion	\$6.3 billion	\$1.07 billion
Available Funding (after SAFETEA)	\$325.3 M x 30 yrs = \$9.8 billion	\$128.2 M x 30 yrs = \$3.85 billion	\$10.5 M x 30 yrs = \$315 million
30 year Shortfall	\$2.9 billion	\$2.45 billion	\$755 million

Figure 37: Delta presentation-Dwight Bower-slide #5

Although, Idaho fared well with the 30.32% apportioned increase from the recently passed federal reauthorization bill (SAFETEA-LU), a yearly funding shortfall of \$203.5 million still needs to be addressed for Idaho to meet projected capital improvement needs and even more if maintenance and operations are also added. This shortfall amount is in excess of the currently established revenue streams, is a reflection of current year (2005) dollars, and will need to be inflated to achieve a full sense of the financial requirements that must be met over the long-term.

H.W. Lochner/Tom Warne and Associates

Forum on Transportation Investment

With the gas tax being such a significant contributor to the overall financial picture for transportation in Idaho, a detailed discussion was held in the forum to fully explore this revenue stream and its nuances. A summary of that discussion is as follows.

GAS TAX AND HIGHWAY DISTRIBUTION ACCOUNT REVENUE

Dwight Bower, Sr. Vice President, H. W. Lochner (See Appendix E, Presentations)

The two largest revenue sources for the Highway Distribution Account (HDA) are Gas Tax (49.6%) and Special Fuel Tax (19.8%), which comprise 69.4% of the total revenue collected. To sizably increase transportation revenue to meet projected needs, increasing fuel tax is currently the most efficient method.

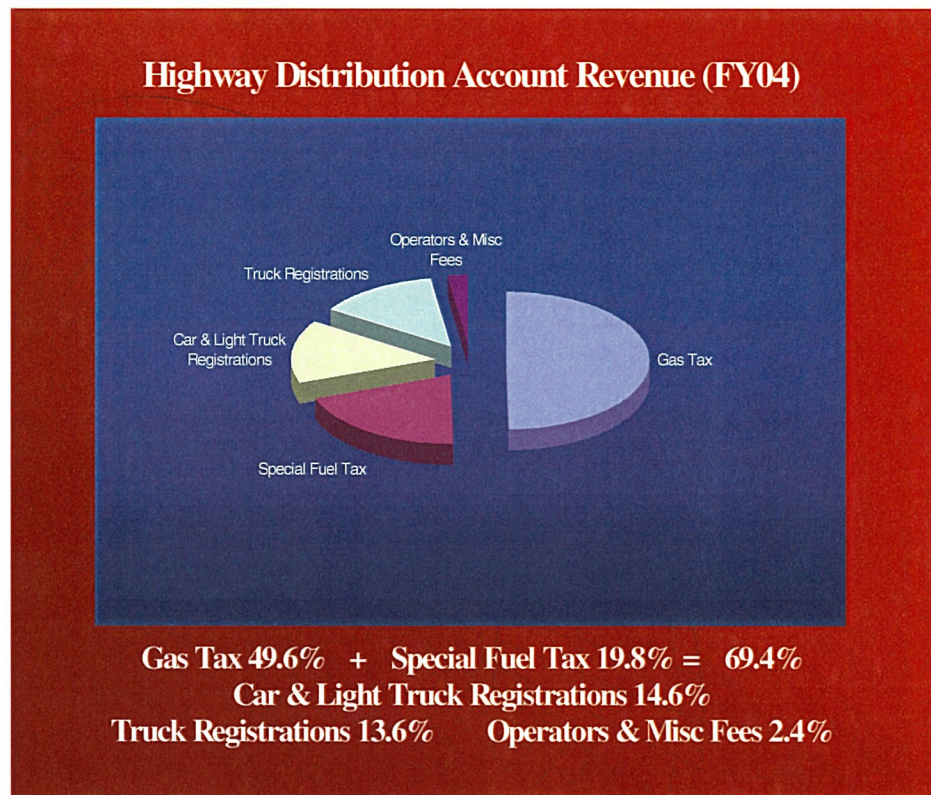


Figure 38: Gas Tax & H. D. A. Revenue presentation-Dwight Bower-slide #2

The cost of fuel remains a factor for stable transportation funding. Because the fuel tax is levied on a per-gallon basis, the price of fuel only impacts revenues when it goes high enough to reduce consumption as happened in August 2005 when national fuel consumption was down as much as 4%. This has been a good lesson in how inelastic the motor fuel tax is as the economy of the United States fluctuates. Although fuel tax remains the main funding source, other revenue sources in the Highway Distribution Account should be considered in the overall strategy for increasing transportation revenue.

H.W. Lochner/Tom Warne and Associates

Forum on Transportation Investment

Over the years, the Idaho legislature has been mindful and diligent to transportation needs of the state and raised gas tax rates accordingly. If two straight lines are drawn at the top and bottom of the historic Idaho gas tax levels, a “band” is created as shown in the figure below. Using this “band,” future gas tax rates should be 30 to 33 cents, compared to the current rate of 25 cents.

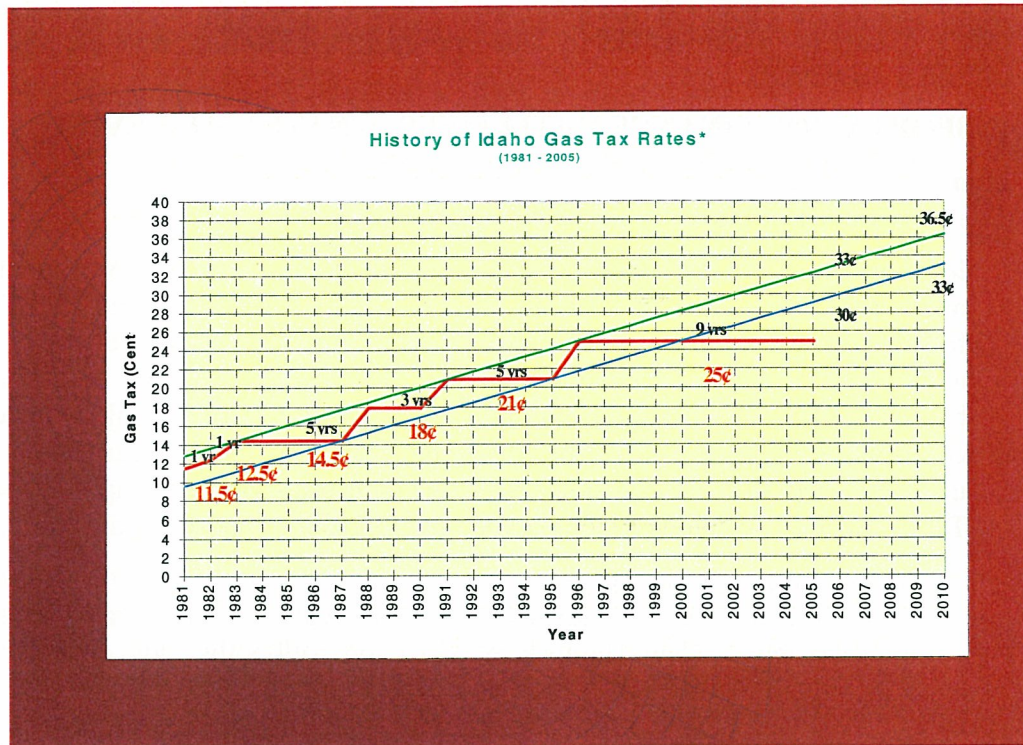


Figure 39: Gas Tax & H. D. A. Revenue presentation-Dwight Bower-slide #3

The current fuel tax is not staying within historical or other prediction guidelines. There is good reason to believe that Idaho's fuel tax should be increased and more than likely should be indexed. The current gas tax rate is falling behind in its ability to carry the financial needs of the state's transportation system.

Unfortunately, even with the suggested increased fuel taxes, the additional revenue raised will not completely finance identified transportation needs. Other revenue sources will be needed. Transportation needs are real and continue whether addressed or not, and a variety of transportation revenue sources and increases must soon be addressed.

TRANSPORTATION REVENUE OPTIONS

The Forum endeavored to examine the array of revenue options currently being utilized or considered by local and state entities across the country as they addressed their own transportation challenges. The revenue options list is long and reflects the unique circumstances that each entity finds itself in when it comes to solving transportation challenges. This section focuses on these options and offers examples where available and appropriate reflecting revenue options offered to the forum.

TRANSPORTATION FINANCE INITIATIVES — NATIONAL REVIEW

Tom Warne, Tom Warne and Associates, LLC

(See Appendix E, Presentations & Appendix F, Handouts)

In spite of record funding levels coming from the federal government, a number of studies report that the national Highway Trust Fund (HTF) is facing a severe transportation funding shortfall in the next five years. In addition, state and local governments have to shoulder a greater and greater burden of their transportation funding needs because of the shrinking federal contribution. To deal with this dilemma, state and local governments are using a variety of means or tools to finance their transportation improvements. The following are some of the revenue options being proposed and/or used.

Advertising on Highways: On toll roads and non-interstate highways some jurisdictions use advertising as a means to fund transportation improvements—New Hampshire (signs on tollbooths, ads on monthly bills, others); Florida (signs and ads on tollbooths).

Auto Registration Fees: Auto registration and licensing fees are often used to finance transportation projects—South Carolina (\$30/year proposed), North Dakota (\$15 per vehicle proposed), Wisconsin (governor proposed increasing vehicle licensing fees), Utah (\$10 per year now available for corridor preservation levied by the county).

Fuel Tax-Local Option: In some jurisdictions, local communities, including counties are authorized to raise the motor fuel tax by a specific amount for transportation purposes—Florence, Oregon (three cents per gallon), Florida (five cents per gallon local option for transportation).

Fuel Tax-Statewide: Many jurisdictions have or are considering raising their motor fuel taxes to fund needed transportation projects—Washington (9.5 cents in addition to five cents increase two years ago), Virginia (proposed—not raised since 1986), Louisiana (one cent proposed), New Jersey (Blue Ribbon panel recommended ten cents), Louisiana (one cent proposed to improve I-49).

Forum on Transportation Investment

Impact Fees: A set or variable amount is assessed per new dwelling unit constructed to address the cost of providing transportation services to the new residents. Riverside County and 14 cities collectively assess \$6,600 per new dwelling unit to defray the expenses of providing new transportation facilities. This has raised \$70 million in the last year. In Marshfield City, Missouri a proposed ½ cent sales tax would be dedicated to local road projects. In Virginia a development fee is proposed in the legislature for transportation and in Nassau County, Florida there is a proposal to add \$3000 to each new dwelling to fund transportation improvements.

General Sales Tax: General sales tax is often used to fund both highway and transit projects—numerous initiatives (See Attachment B in Finance Initiatives-US 2005).

Indexing Motor Fuel Tax: Various means are used to index the fuel tax charged per gallon to allow it to adjust for inflation and market conditions: Pennsylvania (adjusted based on the price of wholesale fuel); Texas (proposed); Maine (proposed to increase it based on the Consumer Price Index); Wisconsin (automatically adjusted for inflation on April 1st each year); West Virginia (5% variable tax based on statewide average wholesale price of gasoline); Nebraska (12.5 cents base plus 12.3% variable excise tax; set semi-annually).

Local Sales Tax: Some jurisdictions at the city/township level are authorized in their respective state statutes to impose sales taxes dedicated to transportation projects—Leavenworth County (one cent sales tax); Missouri (multiple communities are advancing ½ cent local sales tax proposals for transportation); Georgia (1% local option for roads and other purposes); Rock Hill, South Carolina (local tax raises money for state and local roads).

Property Taxes: Some locales are authorized to use a portion of their property taxes to fund transportation projects—Lee County, Florida (proposed); Raleigh, North Carolina (property tax increase to fund road bonds).

Tolls—Existing, New and Proposed Tollways: This option includes new toll roads being built, changes to existing toll roads and their fee structures as well as proposed toll roads that are somewhere in the development process.

Tourism Fees and Taxes: Some fees or taxes are levied on tourism activities such as hotel rooms, rental cars, food, etc. to support transportation activities associated with tourism—Myrtle Beach, South Carolina (hotel tax levied to improve state highways serving the community); Utah (rental car tax for right-of-way preservation).

Forum on Transportation Investment

Vehicle Mileage Tax: This is an assessment based on the miles a vehicle travels which replaces the per-gallon motor fuel taxes collected at the pump—Oregon (still in the study phase with a per-mile rate of 1.25 cent; credit is given for the 24 cents assessed at the pump). California is studying the concept due to its strong support of alternative fuel vehicles.

In summary, it is clear that federal funding isn't going to bridge the financing gap facing state and local governments into the future. A variety of means to raise additional funds is needed to address the critical transportation mobility needs. Ultimately, in moving forward to address transportation finance, every kind of revenue generation is on the table and should be considered

In many states there are voter initiatives that have resulted in taxes being levied for transportation purposes. Largely these are sales tax initiatives although some consider property taxes also. With many of these dependent on voter approval, ample information is made available for successful conclusions. In particular, the following attributes are common on almost all of the initiatives that have garnered enough votes to pass:

- Projects are specifically delineated
- Schedules for each project are specific
- The tax imposed has a sunset provision
- Project budgets are established

While the presence of all four of these elements doesn't guarantee passage, it is clear that the absence of one or more could impact voter approval.

Forum on Transportation Investment

ARIZONA – MARICOPA COUNTY'S REGIONAL FREEWAY SYSTEM

Bill Hayden, Arizona Department of Transportation
(See Appendix E, Presentations)

From 1960 to 1985, Arizona was very similar to current Idaho in that there were substantial transportation needs but no available funding to address them. The Phoenix metropolitan area was experiencing tremendous growth with only a limited highway system to handle the consequential traffic. By the early 1980's, the Arizona Department of Transportation (ADOT) had identified major infrastructure wants and needs.

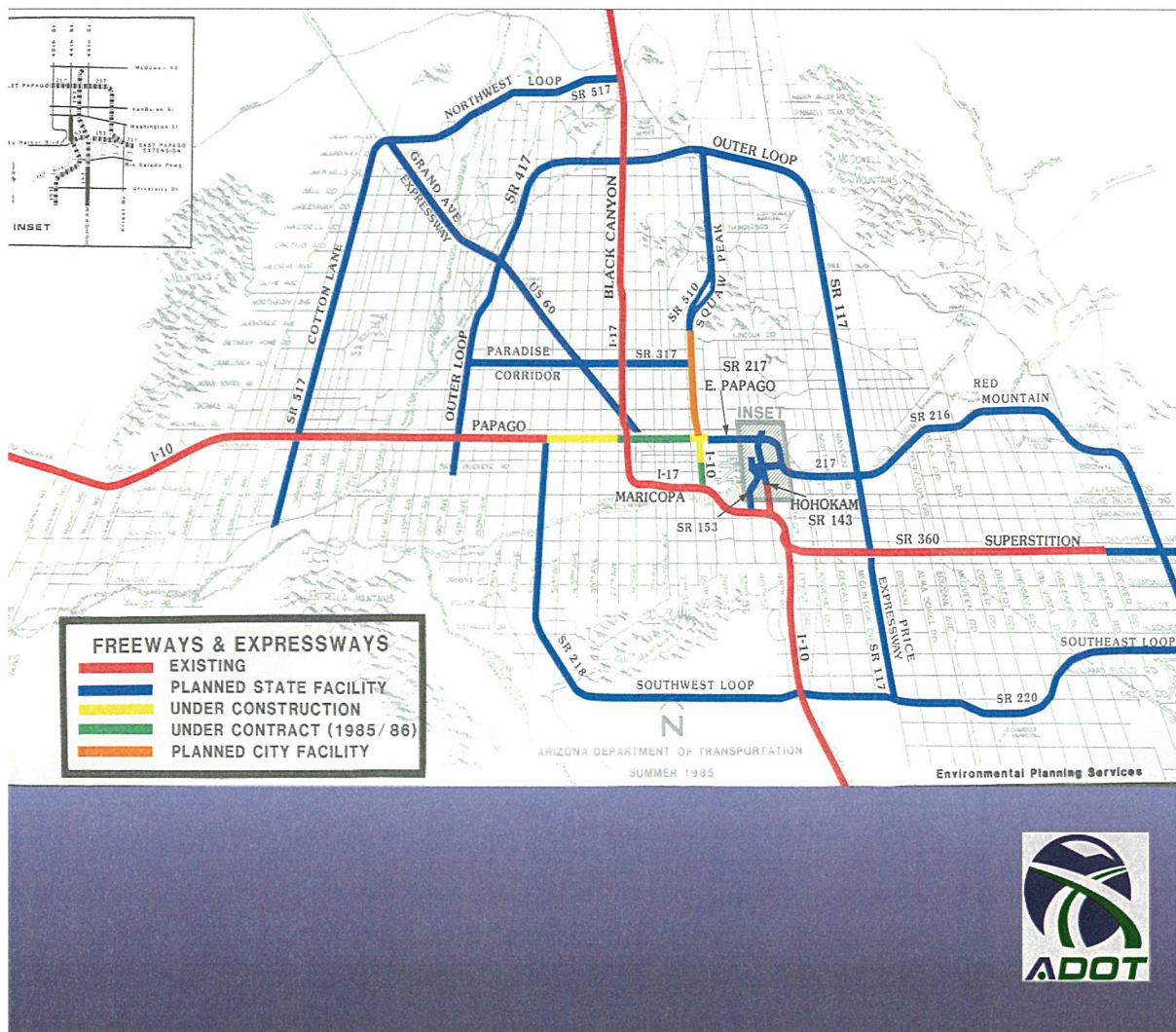


Figure 40: Arizona – Maricopa County-Bill Hayden presentation-slide #5

Forum on Transportation Investment

For many years ADOT was unable to advance a transportation program that would address these growing needs. Then in 1985, Maricopa County (Phoenix) area approved a 1/2 cent sales tax dedicated to a Regional Area Road Fund (RARF). In order to meet the financing objectives set forth by ADOT, three funding sources were needed. They are as follows:

- Regional Area Road Fund (RARF) - \$3.8 billion (1/2 cent sales tax)
- Highway User Revenue Fund (HURF) - \$1.2 billion (largely state gas tax)
- Federal-aid - \$1.5 billion

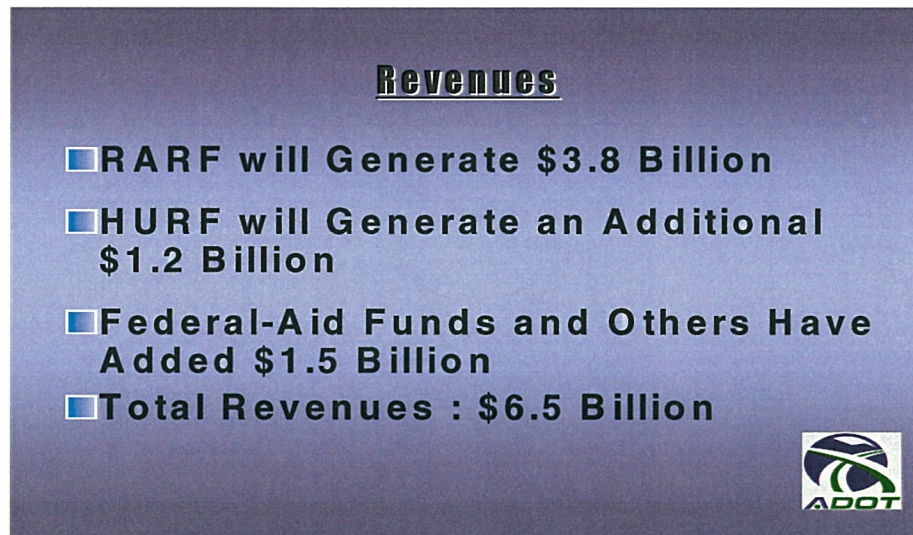


Figure 41: Arizona – Maricopa County-Bill Hayden presentation-slide #12

In establishing its program of projects for RARF, ADOT set up priorities for transportation planning and building. Each project was judged by:

1. Travel demand,
2. Congestion relief,
3. Air quality improvement,
4. Accident reduction,
5. Cost effectiveness,
6. Joint funding possibilities,
7. Social and community impacts,
8. System continuity and mobility,
9. ASAP delivery, and
10. Segments that serve regional needs and/or provide connectivity with other segments.

ADOT has also used an aggressive bonding program to supplement its local revenues to ensure completion of the RARF projects on schedule. Overall, the program completion has been accelerated by seven (7) years. In order to maintain this pace of construction ADOT has bonded approximately \$2.4 billion to date.

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Forum on Transportation Investment

The success of Arizona's Regional Freeway System program can be attributed to the following:

- Establish partnerships and partner with the legislature,
- Be prepared for legal actions,
- Use a life-cycle program, set up performance and other meaningful audits and fiscal/construction accountability,
- Maintain credibility by working closely with your metropolitan planning organizations, and
- Solicit public participation.

Forum on Transportation Investment

In order for the forum to fairly consider all of the revenue options available to the state to meet the funding gap in transportation, substantial time was spent listing the possible options and considering their viability. Significant time was spent in this effort so that each option was understood and forum members were given opportunity to respond and inquire.

REVENUE OPTIONS REVIEW

Lisë Stewart, Galliard Group, Facilitator

(See Appendix E, Presentations and Appendix F, Handouts)

Transportation revenue-generating options were divided into three categories: Revenue Options, Innovative Financing Options, and Other Financing Options. The following information is options used by various jurisdictions around the country. It is by no means a complete list but was offered as illustrative of the possibilities.

REVENUE OPTIONS

- Increase Fuel Tax
- Increase Vehicle Registration Fees
- Increase Title Fees
- Impact Fees
- Local Option Sales Tax
- Local Option Fuel Tax
- Value based Vehicle Registration Fees
- Index Fuel Tax
- Index all Fees
- Toll roads and bridges
- Fees for Developments of Regional Impact
- Dyed Diesel and Potential Tax Evasion
- Dedicated Sales Tax on Car Rentals
- Vehicle Miles Traveled (VMT)
- Advertising at bus stops/ on busses
- Dedicated Sales Tax on Transportation Related Sales
- Add Dedicated Sales Tax to Fuel and Transportation Services
- Employer Tax
- Railroad Car Tax
- Eliminate Ethanol Exemption
- Federal reimbursement for fuel tax loss to Native American Reservations
- Congestion Pricing
- Central area charges (used in Europe)
- Parking Charges
- Lease Space in Rest Areas to Restaurants (Europe)
- Allow Advertising on state facilities – “Taco Bell Bridge

Figure 42: Revenue Options Review-Lise Stewart-slide #1

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Forum on Transportation Investment

Other revenue considerations were Innovative Financing Options. These are tools that have been developed over the years to allow states and local governments to finance transportation initiatives in other than a “pay-as-you-go” format. In some cases the jurisdiction is allowed to leverage current dollars against a debt financing instrument such as general or revenue bonds. In other instances, federal loan programs are available to bridge near-term funding gaps.

INNOVATIVE FINANCING OPTIONS

- Bonding
- Shift funding of Idaho State Police to the state general fund
- Tax Increment Financing (TIF)
- Public Private Partnerships
- Grant opportunities for technology, beautification, etc. thru HUD, NEA, others
- Increase Minimum Guarantee for Public Land States
- Consider Funding From the Petroleum Clean Water Trust Fund

Figure 43: Revenue Options Review-Lise Stewart-slide #2

Another collection of strategies (Other Financing Options) are a variety of options that offer yet more options for raising transportation funding for state or local governments.

OTHER FINANCING OPTIONS

- Tapered
- State Infrastructure Banks (SIBs)
- Section 129
- Transportation Infrastructure Finance and Innovation Act (TIFIA)
- Railroad Rehabilitation and Improvement Financing Program (RRIF)
- Sale of Records, Maps, Documents
- Investment
- Use-Based Fees
- Property Tax
- Local Highway Investment Pool
- Diesel Fuel Tax on Railroads
- Forest Service Payments to Counties
- ITD Board to select Forest Land projects instead of Feds

Figure 44: Revenue Options Review-Lise Stewart-slide #3

H.W. Lochner/Tom Warne and Associates

Forum on Transportation Investment

Each of the revenue options were presented to the forum members and discussed in detail. Some of the characteristics that were thought to be important were:

- 1) whether the option is revenue-generating,
- 2) whether the revenue would go to Highway Distribution Account or some other use,
- 3) whether the funds are restricted from transit, and
- 4) other questions and/or suggestions.

The forum members tended to review the revenue options for fairness and equity and by consensus chose the following options.

Preferred Revenue Options as Voted by Forum Members

26	Increase Vehicle Registration Fees
24	Increase Fuel Tax
20	Impact Fees for Development (both local and regional)
20	Eliminate Ethanol Exemption
16	Dedicated Sales Tax on Car Rentals
16	Index All Fees
16	Public-Private Partnerships
15	Local Option Sales Tax
15	Index Vehicle Registration
12	Local Option Fuel Tax
11	Index Fuel Tax
9	Dedicated Sales Tax on Transportation-Related Sales
8	Tire Fees / Taxes
8	Toll Roads and Bridges

Forum on Transportation Investment

In order for the Forum members to fully appreciate the viability of any one of the revenue streams considered, further analysis was provided in a number of other areas. The chart below shows the preferred revenue options using the current rate (if applicable), current revenue generated, potential increase, potential increased revenue, future annual increase, and comments.

REVENUE OPTION ESTIMATES

Dwight Bower, Sr. VP, H. W. Lochner

Revenue Source	Component/ Unit/Year	Current Rate	Current Revenue Generated	Increase Current Revenue	Potential Increased Revenue	Future Annual Increase	Comments
Increase-Vehicle Registration	2005		\$88,940,599	10%	\$8,894,059		All vehicles (cars & trucks)
Increase-Fuel Taxes	2005	25¢	\$210,096,913	10% = 2 ½¢	\$21,009,691		All fuel
County Option Registration Fee	Ada County	\$20/per registration/ per vehicle	\$3,591,000	All counties	\$28,000,000		1,400,000 registered vehicles statewide
Impact Fees - Statewide/Regional	Ada County		\$10,667,000		\$34,000,000		Ada County- approximately 24% population
Eliminate Ethanol Exemption	33,000,000 gallons- (gasohol)	Currently reduced 2½¢ per gallon			\$825,000		
Index-Vehicle Registration	--	--	\$88,940,599	3% per year		\$2,668,229	Average NCCI
Index -Fuel Tax	--	--	\$210,096,913	3% per year		\$6,330,000	Average NCCI (National Construction Cost Index)
Index-Title Fees	600,000	\$8.00	\$4,800,000	10% increase, then index	\$480,000	\$158,000 per year	3% NCCI
Index -Driver's License	947,000	\$7.20	\$1,704,600	10% increase, then index	\$170,400	\$52,500 per year	3% NCCI
Rental Car Fee							Other state data in Appendix G
Private/Public Partnership	--	--	\$00				Specific improvement opportunities
Local Option-Sales Tax	Varies by county	--	\$00				Law needs revised
Local Option-Fuel Tax	Varies by county	--	\$00				Law needs revised
Dedicated Sales Tax on Transportation- Related Items	--	--	\$00	1%	\$27,500,000		From ITD Resource Task Force Report (2002 estimate)
Tire Fee/Tax	1,400,000 registered vehicles	--	\$00	\$3.00 per tire	\$4,200,000 per year		Estimate - 1 tire per vehicle per year
User-Based Fees (Toll Roads/HOT Lanes, Congestion Pricing, etc.)							Toll - 15¢-20¢ per mile Improvement opportunity Law revision needed

H.W. Lochner/Tom Warne and Associates

Forum on Transportation Investment

The proceeding matrix shows multiple sources that could be utilized to attain additional transportation revenue. The forum concluded that combinations of sources should be considered to meet the shortfall in transportation funding. Additionally, the members concurred that all revenue-generating options should be available for use by all jurisdictions.

Two revenue scenarios were developed for forum discussion at the January 5, 2006 meeting. The goal of the scenarios was to increase transportation revenue to meet the predicted annual \$203 million shortfall and maintain the purchasing power for the next 30 years. Changes in law, authority, etc., were not addressed (see Appendix F-Distributed Information).

Forum on Transportation Investment

EFFICIENCY STRATEGIES

The forum considered numerous efficiency strategies. Three that were discussed in some detail and/or had information distributed to the forum members are as follows.

EFFICIENCY IMPROVEMENTS AND ADMINISTRATIVE OPTIONS

IDAHO TRANSPORTATION RESOURCE TASK FORCE REPORT OF FINDINGS AND CONCLUSIONS – March 2003

(Distributed to the Forum on Transportation Investment prior to its meeting on June 28, 2005 — the following are excerpts from the report.)

On the spending side of the public finance ledger, transportation agencies continue to make efforts to improve their internal efficiency and to achieve cost savings through coordination. The activities listed below document efforts to improve efficient use of funds and to create a culture of cooperation among agencies and the communities they serve.

Efficiency Improvements, page 7

In 1993, the Idaho Transportation Department (ITD) identified 64 efficiency initiatives for downsizing, re-engineering, privatizing, and eliminating obsolete service. These resulted in a one-time savings of \$4.2 million and an ongoing savings of \$1.6 million/per year.

- ✓ In 1994, the Local Highway Technical Assistance Council (LHTAC) was formed by the legislature to assist local jurisdictions. LHTAC and the T² (Technology Transfer) Center are providing specific training, at an affordable level, anywhere in the state.
- ✓ In 1997, the Idaho Transportation Planning Task Force (ITPTF) examined regional planning issues, leading to new programs and policies.
- ✓ A transportation planner was added to each ITD District.
- ✓ In 1999, acting on another ITPTF recommendation, the Local Federal-aid Incentive Program was created by the Idaho Transportation Board and administered by LHTAC to increase efficient use of federal dollars and encourage joint planning processes.
- ✓ The Local Rural Highway Investment Program was approved in 2002 by the Idaho Transportation Board to become effective October 1, 2003. LHTAC will administer the program which will award grants of up to \$100,000 to local jurisdictions for capital improvement projects.
- ✓ LHTAC and the Bureau of Land Management are developing a handbook to facilitate cooperative road maintenance agreements.

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- ✓ ITD has identified efficiency as an emphasis area in its 2003 Strategic Plan. There are twenty targeted performance standards associated with the goal “To improve operational processes.”

Administrative Efficiency Options, page 25

- Corridor Management/Preservation
- Design-Build/Warranty Contracting
- Telecommunication Access to Right of Way
- Managed Competition, Outsourcing, Privatizing
- Transportation Agency Consolidation

DYED FUEL TAX ENFORCEMENT

Although the forum members received no specific documentation for dyed-fuel tax enforcement, the topic was raised at several of the meetings. The consensus of the members was that the legalities are well defined, but on-going evasion is a problem that needs to be addressed. Other states have targeted tax enforcement in the dyed fuel area and have increased their tax collections from these efforts. The forum felt that Idaho would benefit from a dyed fuel tax enforcement initiative.

TRUCK/WEIGHT RESTRICTIONS

Several discussions were held about truck/weight restrictions, “cost responsibilities,” cost allocation studies and other inconsistencies. The forum recognized that “cost responsibility,” size/weight, international trade, and other regulations and restrictions for trucking are not effective and deserve a thorough review. (See Appendix G for other related information)

DESIGN STANDARDS REVIEW

Current methodology for design standards and materials should be reviewed to strive for longer life expectancy of roadways. Other states are using modified AASHTO standards for low volume roads as a way to stretch available funding. Local highway jurisdictions should be allowed to modify design and materials standards for secondary roads when appropriate.

Forum on Transportation Investment

FORUM PRIORITIES AND THEMES

One of the challenges facing the forum in preparing their final report had to do with the importance of capturing the many thoughts and views expressed by the members during the course of the various meetings. In some cases the members were divided into smaller, facilitated groups and on other occasions they discussed these topics as a group. The following discussion reflects some of the common priorities and themes running throughout the forum meetings and from member input.

MEMBER PRIORITIES

Lisë Stewart, Facilitator (See Appendix E, Presentations)

The common priorities and themes are:

- Ensure safety and security in travel; decrease the risk of injury or property damage on, in and around transportation facilities.
- Maintain the existing system of roads, bridges, public transportation, aviation, passenger rail/ports.
- Relieve/manage congestion to ensure the smooth flow of people and goods throughout the entire system.
- Broaden access to opportunities and essential services for those who cannot or choose not to drive.
- Facilitate the efficient movement of goods using all modes of transportation.
- Ensure Idaho's continued economic competitiveness by providing a safe, reliable and efficient transportation system.
- Protect Idaho's environment and natural resources by making investments that are not only sensitive to the environment, but also provide and encourage environmentally beneficial transportation choices.
- Enhance the quality-of-life in our communities through transportation

Additionally, four basic areas of concern were identified.

- Service Characteristics 38% — safety, multi-modal solutions, coordinated infrastructure (roads, water, sewer, etc.), congestion relief, statewide system (circulation), and public transit.
- Planning and Quality of Life 35% — land use linked to transportation system, long-term plan/growth, quality of life, environmental impact (air & water quality), sustainability, and regional significance.

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- Economic Impacts 16% — cost/benefit, economic growth, facilitate commerce, and rural economic development.
- Funding 11% — how to pay, leverage federal funds (Medicaid and public transit), and using available resources for construction.

The top four factors/criteria for ranking projects were:

- Land use linked to transportation system
- Long-term plan/growth (coordinated plans)
- Safety
- Cost Benefit

Additional key concerns were:

- Participation and Prioritization
- Need for Transportation and 'Buy-In'
- Multi-Modality
- Unmanaged Growth
- Economic Development – Cost of Commerce
- Environmental Impact
- Transportation Research and Technology Transfer
- Recreational Access and Tourism (although not a high score, it is a significant topic)
- Funding and Sustainability (innovative/not traditional – need more information)

Forum on Transportation Investment

FORUM MEETING SUMMARIES

CURRENT FINANCIAL TOOLS – JANUARY 4, 2005

Member Consensus

What is your view of the current level of Transportation Funding in Idaho? Members generally agreed that the current level of funding is inadequate for the projected needs.

Given the funding issues (federal, state, other), what strategies should be explored? Numerous revenue-generating suggestions were made. (See Appendix F, Handouts)

Given the potential of alternative fuels to reduce fuel tax revenues, how can we mitigate this impact? We may need to change taxing on alternative fuels.

How much emphasis should be placed on future Idaho public transportation investment? Medium to high priority for urban/lower priority for rural.

Meeting Summary

Current funding seems to be less than Idaho's needs to maintain or improve its transportation infrastructure.

Need to investigate projected wants and needs for Idaho's transportation infrastructure.

Public transportation funding, organization, and services range widely and are difficult to organize.

TRANSPORTATION NEEDS – CURRENT & FUTURE – APRIL 28, 2005

Capital Improvement Prospective

- The \$20 billion estimate (FY2005) for 30 years of surface transportation capital improvements is "shocking," although probably not unrealistic. Tennessee has estimated \$85 billion for the next 25 years; Massachusetts - \$31 billion/20 years; Texas - \$185 billion/50 years; and Utah - \$27 billion/25 years. The \$20 billion total for Idaho as compared to other states is probably within 10% plus/minus.
- Maintenance and operations must also be funded adequately.
- Public transportation must be safe, accessible to all ages, and affordable. Funding is the key to public transportation statewide.
- Regional connectivity, highway congestion, land use, and transportation planning must all be integrated.

Forum on Transportation Investment

FUTURE FINANCE OPTIONS – JUNE 28, 2005

Summary Session

- The regression analysis, with a \$22 billion estimate for transportation investments, points out that Idaho has needs and funding must be increased to address them.
- The forum member's top five (5) ranking priorities for transportation projects (safety, land use linked to transportation plans, long-term planning/growth, cost benefit, and funding) are in line with nationwide concerns. The land use issue is becoming a real concern for infrastructure decisions.
- Ed Mc Kechnie's Railroad 101 and the AASHTO rail report underlines the need to invest in rail freight. If freight doesn't move by rail, then the default mode for freight movement is trucking. Investment in all modes of transportation continues to be a priority issue.
- The "What is the Delta?" presentation pointed out that an additional \$264.5 million each year is needed for transportation revenue. How the additional revenue is generated is difficult to determine, but the need will continue to grow if the shortfall in transportation investment is not addressed.
- Revenue options are numerous, but there is no single answer. The forum can recommend a range of options to meet a range of needs.

ASSESS LONG-RANGE SURFACE TRANSPORTATION AND REVENUE OPTIONS – SEPTEMBER 13, 2005

Summary Session

- The fuel tax discussions and charts are good visuals on how transportation revenues are not keeping up with transportation infrastructure needs.
- The additional SAFETEA-LU funds for Idaho are very good news, but there is a yearly funding shortfall of \$203.5 million that needs to be addressed to meet projected 30-year capital improvement needs.
- Thus far, none of Idaho's current transportation revenue sources are specifically for transit funding. Public transportation should have reliable and sustainable funds.
- Optimizing revenue is another way to re-focus on funding issues.
- Not all revenue sources raise substantial amounts of money.

Forum on Transportation Investment

- Medicaid's funding for transportation has not been explored in our discussions. Over 70% of federal money is spent on Medicaid, some of which includes transportation funding.
- Issues about freight mobility and global coordination of size/weight will impact freight mobility and should be included in the conclusions/recommendations.
- Building roads cheaper/faster/better through 'best practices' should be included in recommendations.
- Population growth causes road capacities to be deficient. The projected capital improvements are based on perceived deficiencies in capacity.

